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Analysis of NFAC's Performance On Iran's Domestic Crisis, Mid-1977 - 7 November 1978

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On Iran's Domestic Crisis,
Mid-1977 – 7 November 1978**

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Analysis of NFAC's Performance on Iran's
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"It has been explained to me that it would have been impossible for the Mullahs to have obtained this power to lead a large and successful protest movement had it not been for the general discontent which prevails throughout Persia which has led the people to hope that by following their advice some remedy may be found for the grievances from which they undoubtedly suffer. . . . It is evident that a severe blow has been dealt at English influence in Persia." British Ambassador to Iran, 1892.

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"Either we are doing something wrong, or else [the protesters] are all crazy. But there are so many of them. Can so many all be crazy?" Shah of Iran. (Tehran 4355, 8 May 1978,)

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Note

The purpose of this report is to address NFAC's performance in treating the Iranian situation from the summer of 1977 to November 1978, when it became clear that the Shah's regime might not survive. We have therefore examined only the information that was available to NFAC at the time and discussed the inferences that were or could have been drawn from it. (We have not analyzed the quality of that information or discussed what might have been done to improve it.)

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We have ended our study in early November because by that time NFAC had concluded that the Shah might fall. Attempts to split the opposition had failed, strikes, especially in the oilfields, were endangering the economy, and major rioting had led to the installation of a military government, a step the Shah had been trying to avoid. Thus on 9 November the CIA appended the following comments to a DIA paper: "CIA considers that the Shah has delayed so long in taking decisive action that he has reduced substantially his earlier good chance of preserving the Pahlavi dynasty with powers like those of the past. We believe that the military government appointed by the Shah on 6 November may succeed in the near term in restoring economic activity and a modicum of public security, but that this will not form the basis for a negotiated settlement of Iran's political crisis." (citation on p. 52.)

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SUMMARY

1. In the case of Iran there was an obvious intelligence failure in that NFAC did not anticipate the course of events. There was also an intelligence failure in a second sense--bits of information were available during summer 1978 that indicated that the Shah was in serious trouble, but they were not recognized nor were any warnings conveyed. However, it is much harder to tell whether there was an intelligence failure in a third sense of the term--i.e., given the information available, did NFAC ignore or misinterpret events in ways and to an extent that consumers can legitimately expect should not and will not occur? No short answer to this is possible, but much of the discussion below addresses this point. ☐

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2. What went wrong? First of all, the events in Iran were very unusual. Second, in this case, as in most other examples of intelligence failure, the problem lay less in the incorrect interpretation of specific bits of information than in a misleading analysis of the general situation which pre-dated the crisis. Like all pre-existing beliefs, these had to strongly color the perception of events, especially when the information from the field was thin and ambiguous. Most NFAC analysts started with the belief that the Shah and his regime were strong and the opposition weak and divided. Given these conditions, it is not likely that NFAC could have realized the situation was extremely dangerous much before some time in September, and it is not surprising that recognition did not come until early November. Even so, examination of this case reveals serious deficiencies in the system under which analysis is carried out in NFAC. Had better methods of analysis been employed, the chances of discovering inconsistencies between beliefs and certain items of evidence would have been greater, thereby increasing the odds that NFAC would have concluded earlier than November that the Shah was in deep trouble. ☐

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3. The information [] was limited by the fact that Iranian domestic politics had had a low priority in the intelligence community for several years. Furthermore, what was needed was not information about views of members of the elite, but the opinion and intensity of feeling among wider segments of society. This was not available. NFAC added to these handicaps by not being in touch with non-governmental experts on Iran, some of whom had views that differed with those dominant in the government and possessed information about the opposition and non-elite segments that NFAC did not have. []

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Intelligence Production System

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4. Many of the problems in this case can be traced to the way in which NFAC produces intelligence. Finished intelligence generally did a good job of summarizing and synthesizing [] NFAC used the data that was available, although scattered items of information--some fragmentary and ambiguous--which we can now see were significant were ignored. There is no instance where NFAC overlooked any substantial body of data. On the whole NFAC's political reporting had a more pessimistic tone than that of the Embassy in Tehran. []

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5. What was needed in the Iranian situation, however, was sustained and thorough evaluation of the most important questions--e.g., the Shah's ability and willingness to follow a coherent course, the nature and depth of the opposition, and the ability of the opposition groups to work together. Such analysis should have examined alternative interpretations of events and mustered all the evidence that could be found. Instead, the format of NFAC production and the informal norms of the intelligence community led to intelligence that focused on the latest events and reports, that presented one view, and that adduced little evidence. []

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6. The problems are greatest with the NID, which concentrates on telling what has happened and only rarely contains analysis or forecasts of political trends and developments. NID items on Iran often drew conclusions,

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but did not explain how the conclusion was reached or what alternatives have been rejected. Almost all articles are short, since no more than two longer and more analytical articles were run in each issue. Most NID items that are more than a few paragraphs long cover several topics. The result is not only that none of the topics receive in-depth treatment, but often that the items lack emphasis. []

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7. In addition, because the system requires that political NID items be tied directly to reporting and because items normally must be coordinated with INR/State and DIA, analysis often stops short of stating the full implications of the information presented. For example, several stories in the NID in mid-September 1978 implied that the Shah's efforts to win over the religious moderates would not succeed. This is especially true if one takes all the stories together rather than reading just one of them. But of course they did come to readers one at a time, and the pessimistic inferences had to be drawn from the stories, rather than being presented as the key messages. []

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8. This type of intelligence production is necessary for tracking a rapidly changing situation. If the premises on which the discussion is based are correct and remain so throughout the period, this mode of analysis will serve the community and the consumers well. But given how fragile observers' understanding is of most other countries, it is rarely wise to assume that discussing the most recent developments without reflecting on the more basic questions will be sufficient. []

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9. It seems to us that there was a failure at management levels to see that proper attention was paid to those topics which bore most directly on whether the Shah would survive. Indeed it is striking that throughout the period no papers were produced which had as their main focus the question of whether the regime could be overthrown. We think it is not only hindsight that leads to the conclusion that as the protests grew, analysts and managers should have sat down and tried to locate the important questions, many of which were not pegged to the

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latest events. In retrospect, it is obvious that it would have been extremely valuable to have had discussions of such topics as: when and whether the Shah would crack down; the conditions under which the opposition would split; the depth of the feelings against the Shah; and the possibilities and dangers of political liberalization.

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10. From reading most NFAC documents one cannot tell how the analysts reached their judgments and what evidence they thought was particularly important. At any number of points in the draft NIE and other NFAC products one can find unqualified assertions without supporting evidence presented. Space limitations explain the paucity of evidence in the NID, and reader impatience is an important factor in the minds of those preparing other publications, but the result is unfortunate. Here, as in other areas, we recognize that available resources set limits to what can be done, and that other equities have claims on those resources. But time spent on a systematic exposition of the evidence for and against a particular belief may well be more valuable than an equal amount spent on reporting the latest events.

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11. In addition to producing evidence, or rather as part of the same process of demonstrating why a conclusion is valid, discussions will often be of greatest value when they include explicit consideration of alternative interpretations. Most NFAC analysis on Iran did not do this. At times, it admitted puzzlement. But usually it gave a single quite coherent explanation. What is most important is not that many of those explanations turned out to be incorrect--since the evidence was often skimpy and ambiguous--but that a range of interpretations was not presented. We think this should be done on a regular basis, with evidence presented for and against each of the alternatives.

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12. The number of questions on which this can be done and the number of alternatives that could be developed are theoretically limitless, but it is often possible to find a relatively small number of crucial ones, which, if answered differently, would most alter one's understanding of the situation and the predictions one would make. Feedback from policymakers would help in choosing the alternatives to be treated.

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13. The point of this exercise is threefold. First, it would encourage the analysts to be more explicit about their reasoning processes by making them contrast their views with the ones they have rejected. Second, it would lead them to marshall their evidence in a systematic way. Third, the process of working through the alternatives and the evidence should encourage the analysts to think more thoroughly about some of their important beliefs. Some of the problems we located in the dominant interpretations could have been addressed if the analysts had proceeded in the manner we are suggesting. ☐

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14. One obvious difficulty is that seeing things from a different perspective or discussing possibilities that others have not seen or have rejected is not likely to occur unless it is rewarded by the organization. This would involve a recognition that in many cases the effort will not have direct benefits. Usually the dominant view is correct, or at least closer to the truth than many of the alternatives. It is now easy to see that alternatives should have been raised about Iran, but the case must not rest on the claim that the dominant view was wrong, but on the argument that examining several alternatives will lead to better analysis. ☐

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15. The case of Iran reveals a need for analysts to make sharp and explicit predictions. The point of this is not to exaggerate how much we know or to develop a scorecard, but to help the analysts understand the full implications of their beliefs. Explicit predictions would have been especially helpful in the Iranian case because, as we discussed in other sections, much of the discrepant information arrived bit by bit over an extended period of time. Under these conditions it is very easy to fail to notice that sorts of events are occurring which would have been unthinkable a year before. Systematic procedures are needed identifying the gaps that may be developing between the events and the implications of their basic beliefs. ☐

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16. A related problem with the process by which finished intelligence was produced in the case of Iran was that there was little sharp and critical discussion

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among the analysts. NFAC does not have any institutions that provide the functions of both evaluating and stimulating the analysts that are performed in the academic world by peer review. In practice, coordination of finished intelligence rarely leads to discussion of fundamental judgments. Analysts are then not challenged and confronted with conflicting views and counter-arguments as much as they could be. Generalists not directly concerned with a particular issue may be of help in this; they usually find it easier psychologically to take a fresh view. Peer review is certainly no panacea, but it can both help evaluate the quality of work in instances where consumers are not experts and can help the analysts by leading them to see where their arguments might be altered or strengthened. It is hard to do good work in the absence of mechanisms for performing these functions. NFAC has all the requirements for peer review except appreciation of its value. Many analysts and managers appear to consider it threatening rather than helping. [REDACTED]

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17. The lack of a "community" of analysts dealing with this problem is noteworthy. The division of NFAC and its predecessor by discipline contributes to the absence of community. So does the tradition in ORPA's predecessor office of analysts working on "their" country, building a psychological fence that others won't cross. In the view of one of us [REDACTED] probably more important is the absence of an institutional competition and the supportive criticism it can provide. The mechanism that once existed where a current office and an estimative office looked at issues from their different perspectives was not a cure-all, but it did offer on a regular basis opportunity for different approaches to surface. No such opportunity exists, nor did it during the period we are reviewing. [REDACTED]

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18. The size of the relevant community was further reduced by the isolation of the ORPA analysts. They had few close contacts with academics or other informed experts outside the government; they had few conversations with people in State or NSC; even during the fall they were not involved in any of the inter-agency meetings that considered the Iranian problem, except for ones involving

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the NIE. (NFAC was represented by the NIO or his deputy.) The problem is not only in the lack of discussions between NFAC analysts and those from other agencies--ORPA and OER analysts rarely had thorough talks about what was happening in Iran. ☐

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19. When the number of NFAC analysts working in an area is small, as it was in Iran, the danger that alternative views will not get raised is especially great, and so it is particularly important that all the resources of the community be employed. This is primarily a matter of informal relations and depends to a large degree upon ad hoc arrangements and the compatibility of the individual personalities.

20. We also think it is important for analysts to have as extensive contacts as possible with outside experts from a variety of fields. Without this the analysts may not come to grips with the range of possible interpretations of events and may even end up presenting facts and interpretations that are far removed from what other knowledgeable observers believe. In our judgment, NFAC should make strenuous efforts to assure that its understanding of various countries; i.e., the crucial background beliefs against which the interpretation of specific events is done, is as deep as possible. As with employing alternative arguments (above), the activity that can build such understanding must be valued and rewarded by NFAC; results will appear in the long-term, not in immediate production. ☐

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21. The estimative mechanism, as it functioned during the period under review, did not much help to compensate for the problems we have located in the process. Drafting of the prospective NIE on Iran did not lead to a fruitful discussion of important issues. By and large, the sections written by the several drafters were stapled together. The ideas of the drafters were not challenged by one another. Judging from the changes in the successive drafts of the abortive NIE, most of the energy of this process went into subtle wording changes that would be apparent only to someone who had seen several versions. ☐

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22. In retrospect, it is apparent that the government would have been better served by a paper that did address the shorter-term questions. To have asked for such a

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25X1 paper, however, would have required a recognition that the Shah was in serious trouble, and given the prevailing beliefs, that could not have occurred until the end of August at the very earliest. Indeed, INR called for such a paper on 12 September. But it took a week for NFAC to decide that such a paper should be produced and another 10 days for the State Department to draft it. Apparently influenced by the mid-September lull, the paper concluded that "The Shah no longer appears to be in immediate danger of being overthrown. There is considerable question, however, of his ability to survive in power over the next 18 to 24 months." [] Whether this paper would have served a useful purpose is difficult to determine. In any event, D/NFAC decided not to pursue it but to write a shorter NIE that dealt with both short- and long-term problems. Such a draft was prepared by the NIO's office at the end of October, but by this time it was no longer relevant. []

25X1 23. It is obvious that a lot of time and energy was expended in these efforts. We think that managers could have done a better job of focusing NFAC resources on the timely analysis of the most important questions. The analytical deficiencies in NFAC's handling of some of those questions are discussed in the following paragraphs. []

The Analytical Issues

25X1 24. Two of the beliefs that underpinned the expectation the regime would survive were that the opposition would split and that the Shah would use force if things became really serious. One problem is that almost no events short of those which actually shook the foundations of the regime could bring these beliefs into question. Just because the opposition was united today did not mean that it would not split tomorrow; the Shah's refusal to use force today did not prove he would refrain from repressing the next demonstration. (Indeed the Shah's refusal to use force reinforced the conclusion that the situation was not that serious.) This meant that unrest could grow quite large without leading analysts to reexamine the basic beliefs which supported their optimism. []

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26. There were important signs that the Shah would not crack down--through 1978 he had vacillated; he said his commitment to liberalization precluded extensive repression; and the United States was urging the Shah to maintain this commitment and use as little force as necessary. The events in late September and October finally undermined the belief that the Shah would clamp down. Some people became convinced that the Shah lacked the will. Others came to believe that it was now too late and that even extensive force might not work. [redacted]

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27. NFAC produced no papers that focused on whether the Shah would crack down. While the Shah's moods were commented on, the possible implications for his deciding to use force were not drawn. [redacted]

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[redacted] We think the primary explanation of these failings was two-fold. First, the incentives to challenge this belief were slight because it was shared by all NFAC analysts, was very plausible, and fitted with the pre-existing view of the Shah. Most observers outside the government also shared this view and even in retrospect it is hard to say why he did not crack down. Second, this belief did not need to figure in the reporting or analysis of most day-to-day events. When the Shah cracked down it would be news;

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until then the possibility still remained open. Only when the unrest grew to enormous proportions did his restraint seem important in explaining what was happening. So the analysts' main task of dealing with the latest events did not make them look more carefully at this crucial belief. [REDACTED]

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28. Another belief subject to the same problem as the expectation that the Shah would exercise control if things really got serious was that the opposition would split. Furthermore, this belief did not sit too well with the companion belief that the Shah could clamp down when he needed to. Repression would presumably unite the opposition and the longer the Shah waited for the opposition to split the harder it would be for him to repress because the unrest was growing stronger. [REDACTED]

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29. The belief that the opposition would split was widespread throughout the period under consideration. It can be found at all levels of NFAC. While there were many ways in which the opposition might have split, the key issue became the division that the Shah wanted to bring about in the religious leadership and consequently in its following. [REDACTED]

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30. We do not think this issue was treated well in the finished intelligence. In the spring it received little attention because the production concentrated on explaining the general causes of the unrest, reporting disturbances as they occurred, and discussing the danger that the Shah might use excessive force in controlling it. After late August with the appointment of a new Prime Minister, one of whose major tasks it was to strike an accommodation with the religious leaders, finished intelligence not only summarized the latest reports but was more pessimistic and accurate than most other reporters. Nevertheless, problems remained. The articles left important parts of their messages implicit. They did not point out that much of their reasoning undercut the common optimistic assessments, conclude that an agreement between the government and the clergy was unlikely, or point out that the Shah might soon face the choice of repression or abdication. This was, perhaps, a matter of style and norms--analysts have been conditioned over the years to keep as close as possible to the facts and reports

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rather than draw out the implications which consumers can do for themselves. ☐

31. Furthermore, NFAC did not clarify the lines of argument, highlight inconsistencies, or pull together the existing evidence (which here, as on so many other points, was not extensive). This was particularly true in respect to the question of whether the moderates could afford to reach an agreement that Khomeini would denounce. Several field reports indicated that they could not. Finished intelligence summarized some of these reports and did not challenge their validity, but neither did it explain how, if they were true, conciliation was possible. It did not take hindsight to see that what was crucial was both the desires and the capacity for independent action of the religious moderates. Neither point was singled out for special attention. No definitive answers were possible, but a more thorough weighing of the evidence and a more penetrating analysis of the problems were. Here as at other points the felt need to report daily events seems to have distracted NFAC from analyzing the fundamental problems. ☐

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32. The analysis of the difficulties of staging a "white revolution" was a bit superficial and over-optimistic. Perhaps NFAC was misled by the Shah's many successes--real and apparent--and so lost sight of how hard it is to modernize, liberalize, and yet maintain control. The impact of the huge influx of oil money on Iran was not analyzed well. On this point as on others NFAC's product suffered badly from the separation of economic and political analysis. Little was said about the crucial political impact of rapid economic change--e.g., inflation, deterioration of life in the cities, the growing income gap, the bazaaris' loss of economic power to newer people, or the unemployment produced by the slowdown of the economy after mid-1977. ☐

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33. NFAC analysts were alert to the general problems posed by liberalization quite early and they generally did a good job of summarizing the reports from the field, adopting in the process a slightly more pessimistic--and more accurate--view than the Embassy. But intelligence

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production stayed too much on the surface of events and did not come to grips with the basic problem of whether the Shah's dictatorial regime could safely permit a high level of political freedom. In the fall many in NFAC accepted the optimistic report that the combination of martial law and free political debate was directing dissent off the streets and into political channels. This view made some sense, but was not subject to careful scrutiny. The possibilities that liberalization was being taken by Iranians as a sign of the Shah's weakness, that the Shah's commitment to liberalization showed that his pattern in previous years of using force and liberalization undercut rather than reinforced each other were barely mentioned. ☐

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34. Among the factors accounting for the deficiency are inadequate information. Reporting from the field was not particularly good nor was non-governmental reporting. In addition, some of the dilemmas of liberalization were not unique to Iran and could have been illuminated if persons familiar with other countries' attempts to liberalize had been called in, but the use of such generalists has not been customary in NFAC. Finally, there was an operative belief that the limited freedoms the Shah was willing to permit would be acceptable to the opposition because it was reasonable enough to see that the considerable gains would only be endangered by pushing for more. In effect it made eminent sense for a compromise to be struck on the major program of liberalization. ☐

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35. The issue of the nature and strength of the religious opposition itself presents a different sort of problem. Some in NFAC were attuned to the importance of religion in Iranian life. The senior political analyst was especially so. He felt strongly about the deficiencies in information and had consistently called for increased collection on this subject. Lack of information was an important part of the problem. NFAC did not know the extent to which Khomeini had established a network, did not know his power as compared to that of the moderates, and did not even know what he was saying in the recorded messages that were available within the country or how widespread the circulation of those tapes were. ☐

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36. Nonetheless, there were four aspects of the religious opposition movement that contributed to its appeal and that were not well covered in finished intelligence. First, NFAC saw Khomeini's appeal as almost entirely rooted in his argument that modernization was undermining the hold of Islam on the people. In fact, much of his fire was aimed at the Shah's politico-economic program and the degree to which it aided the rich over the poor. Second, NFAC did not see that nationalism was an important part of Khomeini's appeal and attracted many who disagreed with him on other issues. Many in Iran saw the Shah not only as a tyrant, but as a foreign tyrant. Khomeini stressed this theme. Third, NFAC said little about the "populist" tradition of Shi'ism. Since the Shi'ites do not have an established hierarchy, religious leaders gain their authority by becoming recognized by their followers as men of wisdom and piety. This encourages them to articulate what they think are the desires and grievances of their people and gives them incentives to be on the forefront of popular movements. A fourth factor, the illegitimacy of governments in the eyes of Shi'ites, was explained by finished intelligence but perhaps not given sufficient stress. []

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37. NFAC's outlook did not give credence to the links between religious leaders and the grievances of a wide range of the general population. This outlook powerfully influenced the interpretation of incoming information and led the analysts to be insensitive to the possibility that the opposition could unite behind Khomeini. We wish to stress that it could not have been clear at the time that the analysts' position was incorrect. Data was skimpy; several lines of analysis were possible. But we think it is more than hindsight to suggest that an alternative view could have been discussed in the finished intelligence. []

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38. In the course of 1978 a number of reports on the Shah's mood as events unfolded in his country were received. In retrospect they assume considerable importance because, when removed from the background noise of other voluminous data, they begin to show a pattern. There are two themes. Over a period of several months persons who saw the Shah found him more often than not behaving differently than usual. Instead of being forceful

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and authoritarian, he was depressed, dispirited, and uncertain. Second, his efforts to liberalize the political system without surrendering his essential authority sowed confusion in the minds of his supporters who were accustomed to firm direction. His overall behavior led them and many other Iranians to believe that he was losing his grip. []

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39. NFAC production, beginning in late August, reflected the reporting on the Shah's mood, which seemed to improve in September and October in the view of [] [] Ambassadors who saw him frequently. It did not, however, discuss what his untypical failure to exercise leadership might do to the morale of his supporters (which, we should note, stayed remarkably high until well into the fall) or to the opposition. We are not sure why the issue did not receive more prominence, but the belief that the Shah was strong and able to crack down if he judged it necessary, the format of publications that militated against speculation, and the press of events in the fall are among the likely reasons. []

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40. Iran's domestic economic situation received relatively little attention in finished intelligence until mid-1978. It is clear that political protest grew in some part out of societal dislocation caused by a development program, and we think it not unfair to suggest that managers and analysts should have been alert to the interaction between the two. There was no assessment of the political effects of the economic slowdown instituted by the government in mid-1977. We are aware that management now recognizes the absence of political economy as a problem and that solutions to it are being pursued. They are not easy to come by, but in our view the lack of a systematic method of relating politics to economics (both terms used in the broadest sense) contributed to NFAC's failure to assess correctly the course of developments in Iran. []

41. Until the fall of 1978 the direct contacts between members of the opposition and US officials were very few. Thereafter, information improved only slightly. This meant that NFAC did not know about the extent to which the opposition was organized and coordinated and had only limited information on what goals it sought and what appeals it was making. But even more of a handicap

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was the lack of contact with all segments of Iranian society outside of the elite. In this case, those were the important arenas, and we were ignorant of them. In the absence of information analysts were forced to make assumptions about how groups and classes would respond, and these seem to have been largely based on the belief that most people appreciated the benefits of the Shah's modernization program. ☐

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42. We found no evidence that analysts distorted what should be objective judgments to support official policy. Intelligence production generally was consistent with US policy but this does not mean that the latter was influencing the former. If such an influence were present, the analysts were not aware of it. But we cannot completely rule out the possibility that the subtle influence of US policy may have made it a bit harder for the analysts to realize that the Shah's position was becoming precarious. ☐

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43. To conclude, NFAC did not anticipate the course of developments in Iran. The belief that the Shah was in a strong position helped to blind analysts to the implications of discrepant information that came in to NFAC from mid-summer on. The system under which NFAC produces finished intelligence diverted analytical attention to current reporting and away from consideration of the important questions which bore most directly on whether the Shah would survive. ☐

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INTRODUCTION

1. NFAC failed to anticipate the course of events in Iran from late 1977 to late 1978. It was not alone. It was no further off the mark than its main source of information, the Embassy in Tehran. Indeed few observers expected the protest movement to be able to bring down the Shah. Some academics and journalists thought the Shah was weak, but we have seen no published articles indicating that they expected him to fall by early 1979.* By the end of August 1978 some countries were becoming more pessimistic than NFAC, but the differences were mainly of shading and tone. [REDACTED]

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[REDACTED] The State Department, and particularly the Iranian Country Director, had a more accurate view than did NFAC, but little of his view was passed on to the Agency. (For a further discussion of this point, see pp. 34-35, 68) [REDACTED]

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2. There was also an intelligence failure in a second sense--there was evidence available at the time which pointed to the Shah's vulnerability. With hindsight, much of it stands out and is reported below. Because this information was scattered and ambiguous and because there were good reasons to expect the Shah to survive (these are discussed below), it is much harder to say whether there was an intelligence failure in the third sense of the term--i.e., given the information available at the time, was NFAC's judgment unreasonable? Did NFAC ignore or misinterpret events in ways and to an extent that consumers can legitimately expect should not and will not occur? Although we cannot give a short and precise answer to this question, much of the discussion below addresses this point. In addition, we will try to explain why the analysts went wrong, note the ways in which the intelligence production processes inhibit good analysis, and discuss ways in which NFAC might do better in the future. [REDACTED]

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**The comparison to academics and journalists is appropriate because in this case, unlike many others, little of the important information was secret and available only to governmental analysts.*

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3. By looking only at a single case, many questions cannot be answered. These deal with how common some of the problems we have detected are and the importance of factors which can only be examined in a comparative context.



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if one wanted to explore the subtle aspects of the question of whether intelligence was influenced by policy one would have to look at the analyses made by people or governments who had different policy preferences or compare NFAC's analysis of Iran with its treatment of unrest in a country that was not supported by the United States. Similarly, one reason for the error in Iran may be that NFAC tends to overestimate the staying power of right-wing regimes. But this question could only be explored by comparing its analyses of these regimes with those it makes of radical ones. To take an issue touched on in the body of this report, if one wanted to explore the problems created by the lack of disagreement among the analysts on Iran, a comparison between this case and one in which there were major disputes within the community would be in order.



4. Comparisons could also shed light on defects in intelligence if we did post-mortems on successful cases and also examined "false alarms." As it is, the rare post-mortems that are undertaken concern failures to predict untoward events. Useful as they are, these may give a skewed view. By focusing on cases where intelligence failed to detect danger when it was present, they imply that this is the most common and important problem. But it may be that there are lots of errors of the opposite type, cases where NFAC expected a government to fall and it survived, or instances in which it expected another state to take a hostile action and the state refrained from doing so. Intelligence may not systematically err on the side of being too complacent. It would both be useful to know whether or not this is true and to learn what factors are responsible for the false alarms. For

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example, does intelligence systematically underestimate the staying power of certain kinds of regimes? Do the problems in the analysis that we have detected in the Iranian case crop up in the "false alarm" cases or are the difficulties there quite different? ☐

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5. It might also be worthwhile to look at some cases where the Agency was right. The obvious point would be to try to see if there were differences in the information available or the process of analysis employed that distinguish these cases. The most useful finding would be that better intelligence is associated with certain procedures and ways of treating evidence which can be applied to a wide range of cases. But almost anything that was found to discriminate cases in which the Agency did well from those in which it did badly would be useful, even if it only reminded us of the large role played by luck, skill, and the particularities of the individual cases. ☐

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6. In a post-mortem one obviously focuses on what went wrong. This produces an unbalanced account, even if one tries to distinguish between what only could have been clear from hindsight and what people might reasonably have been expected to see given the information available at the time. We wish to at least partially redress that imbalance by noting that several potential problems were correctly downgraded by the analysts. Little attention was paid to the role of the Tudeh Party and although terrorist activities were constantly tracked, this concern did not overshadow the more important one of general political unrest. The analysts easily could have been distracted by these topics, but were not. Furthermore, the analysis of the unity and morale of the armed forces--a particularly important topic--was proven to be essentially correct. The armed forces stayed loyal to the Shah and remained willing to execute his internal security orders until very late in the year; they began to waver and defect only when he appeared to be close to quitting. ☐

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7. The extent to which a retrospective examination distorts the situation is hard to determine. The conditions under which people worked fade and become obscure even in their minds and can never be known by the reviewer. Such a person knows what the outcome of the events is, and he cannot fail to be influenced by that knowledge. Moreover,

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the material that he reads in order to determine what happened, what people knew, and what they wrote about it comes to him in a form much different from the way it comes to the intelligence analyst. The reviewer has the opportunity to read material through in a coherent order. For the analyst working on events as they happened, material or information must be absorbed as it comes in-- sometimes in fragments, often not in a timely fashion. The necessity of meeting publication deadlines can and frequently does force the intelligence analyst to commit himself to paper with substantially less than the optimum amount of information. []

8. At many points in this report we will note which analysts were closer to being correct than others. Here we should stress that those who were more accurate in this case are not necessarily better analysts than those who continued to believe that the Shah would survive. One can be right for the wrong reasons and one can carefully examine all the relevant evidence and still reach the wrong conclusion. []

[] In this case it seems that what distinguishes those analysts in and outside of the government who, as events unfolded, thought that the Shah was in serious trouble from those who thought he would survive were general beliefs about Iran which long predated the recent protests. As a generalization, those who thought the Shah was weak and had not been a good ruler took the unrest very seriously whereas those who believed he was strong and, on balance, had done a great deal to benefit Iran thought he would have little trouble riding out the disturbances. Members of the former group were correct this time, but we suspect that if we looked at their previous predictions we would find a number of occasions in which they incorrectly expected the Shah to fall, or at least to suffer significant diminutions of power. It can be argued that even if these people were wrong on important questions of timing, at least they had a better understanding of the underlying situation than did others. But even this may not be right. The underlying situation may have changed, especially as a result of the oil boom, and so the valid grounds for pessimism may have appeared only more recently than the pessimism. []

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9. If what distinguished "optimists" from "pessimists" was their longstanding views of the regime, would it have been useful for these differences to have been discussed at an early date? Perhaps, but the main "pessimist" in the government was the State Department Country Director for Iran who was not a member of the intelligence community. The other "pessimists" were outside of the government. Even had such discussions taken place, it is far from certain that the participants would have learned a great deal. Judging from the differences of opinion outside the government, it appears that beliefs about the strength of the regime were related to, although not totally determined by, whether the person is liberal or conservative. When disagreements are this deeply-rooted, discussion often proves unenlightening. []

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10. In this case, as in most examples of intelligence failure, the problem lay less in the incorrect interpretation of specific bits of information than in a misleading analysis of the general situation which pre-dated the crisis and strongly influenced perceptions of the events. Almost everyone in the government overestimated the stability of the regime. They overestimated the Shah's strength and underestimated the number of groups and individuals who opposed him and the intensity of their feelings. []

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11. At bottom most observers, official and unofficial, found it hard to imagine that the Shah would fall. Although there were many specific reasons for this belief--and they are analyzed below--it is hard to escape the feeling that if

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those reasons had not influenced beliefs, others that supported the same conclusion would have. The idea that one of the world's most powerful monarchs could be overthrown by an unarmed mob of religiously-inspired fanatics was simply incredible. Furthermore, it probably would have been incredible even had observers grasped the depth of popular discontent in Iran. ☐

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12. Other general beliefs, some of them probably held more implicitly and explicitly, may have also been operating--e.g., that serious menaces to American-supported regimes always come from the left and that religion is not an important motivating factor. Some more specific biases or predisposition are discussed in the chapters that deal with the events in Iran and how they were perceived.* ☐

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13. Anyone holding these preexisting beliefs would inevitably miss or misinterpret many events that we now see as evidence that the Shah was in serious trouble and that were so interpreted by those contemporary observers who started with different mind-set. In this study we cannot analyze how and why this belief formed, but it seems sufficient to note that it was almost universal within the government and widespread outside it and that, even in retrospect, it was far from unreasonable. But given this belief, it was inevitable that observers would be slow to grasp the situation. The specific problems discussed below delayed recognition even further, but only those who were convinced from the start that the Shah's position was weak could have concluded before late August that the Shah might not survive. ☐

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14. Lack of time and of expertise prevent us from providing a full evaluation of the validity of the general beliefs about Iran held by the analysts at the start of the crisis. We think that their beliefs fall within the

**Another belief explains what to some observers might seem like an odd distribution of NFAC's attention. Most people thought the main problem would come in the mid-1980s when oil production started to drop, difficulties caused by industrialization accumulated, social divisions sharpened, and the Shah began implementing a transition for his son. Thus several long NFAC papers laid the ground work for analyzing the expected trials of the regime in this period. ☐*

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broad parameters of belief held by non-governmental students of Iranian affairs, but we want to note that as non-experts we have to take a number of important points at face value. This influences to a degree what we can say here.

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INHERENT PROBLEMS

1. A number of common explanations for intelligence failures do not apply in this case. Indeed, there were many factors here which militated in favor of an understanding of the situation. ☐

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4. Third, and linked to the previous point, although ethnocentrism is always a danger, the analysts' experience reduced this problem. The leading political analyst was steeped in the culture of the area and, without becoming "captured" by it, seems to have had as good a general feel for the country as can possibly be expected. ☐

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5. Fourth, prior to the late summer of 1978, the pressure for current intelligence was not so great as to squeeze out time for broader and longer-run considerations. Indeed NFAC produced several long papers on such topics of general importance as Elites and the Distribution of Power in Iran and Iran in the 1980s. Although we have not made a thorough canvass, our impression is that on few other countries of comparable importance was there as much of this kind of in-depth analysis. ☐

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6. Fifth, the developments NFAC was trying to anticipate were not sudden ones which adversaries were trying to hide from us. A number of the problems that come up in trying to foresee coups or surprise attacks did not arise here. There was time in which to assess developments and to re-evaluate assumptions--indeed an NIE was in process during many of the months in which the crucial events were unfolding. Although the way in which NIEs are written may not provide the best possible forum for addressing important questions, it still gave NFAC an opportunity often absent in cases of intelligence failures. [REDACTED]

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7. On the other hand, the nature of the case presented some special problems. First, and most important, the Iranian revolution was a major discontinuity. Indeed, we believe that it was unprecedented. And no one does a good job of understanding and predicting unprecedented events. We can think of no other case in recent times in which a mass uprising overthrew an entrenched regime that had the support of large, functioning, and united security forces. Similarly, we cannot think of a single other case in which very large numbers of unarmed men and women were willing to repeatedly stage mass demonstrations with the knowledge that many of them might be killed. The common pattern of unrest is that once one or two mass rallies have been broken up by gunfire, people refuse to continue this kind of protest and large unarmed demonstrations cease. The other side of this coin was also unusual if not unprecedented--the Shah did not use all the force at his disposal to quell the unrest (for a further discussion of this point, see below, Force Section). Most dictators would have done so; the Shah himself did in 1963. [REDACTED]

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8. A second problem was that of correctly estimating the intensity of the opposition to the Shah. In retrospect, it seems clear that millions of Iranians hated the Shah, yet the word "hate" never appears in official documents--

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(leaving aside the point that no concerted efforts were made to assess it). What NFAC needed to know was the lengths people would go to overthrow the regime; what costs they would bear. It is very hard to estimate this short of the actual test. Indeed the individuals themselves often do not know how far they are willing to go. On pages 115-119 below we will discuss the evidence that was available on this subject and the inferences that were drawn. ☐

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9. A third problem is linked to the second. Much of the opposition was based on religion and it is difficult for most people living in a secular culture to empathize with and fully understand religious beliefs--especially when the religion is foreign to them. Most modern analysts tend to downplay the importance of religion and to give credence to other explanations for behavior. Moreover, Shi'ism is an unusual religion, being a variant of Islam and therefore presenting a double challenge to understanding. We cannot generalize about how people in NFAC concerned with Iran--managers and analysts--viewed the role of religion in this situation. NFAC's senior Iranian analyst was sensitive to the importance of religion as a political factor. But we suspect that many others were not so sensitized and that, had the opposition been purely secular, observers would have been quicker to detect its depth and breadth. ☐

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10. Fourth, and related to the previous problems, an understanding of this case called for the sort of political and even sociological analysis that NFAC does not usually do. NFAC had to gauge many segments of society, not just a few familiar individuals and institutions. ☐

11. A fifth inherent difficulty was that the opposition developed gradually from the fall of 1977 on. Studies from psychology and examinations of previous cases have shown that people are almost always too slow to take account of the new information under these circumstances. Sudden and dramatic events have more impact on peoples' beliefs than do those that unfold more slowly. In the latter case, people can assimilate each small bit of information to their beliefs without being forced to reconsider

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the validity of their basic premises. They become accustomed to a certain amount of information which conflicts with their beliefs without appreciating the degree to which it really clashes with what they think. If an analyst had gone into a coma in the fall of 1977 and awakened the next summer, he would have been amazed by the success of the opposition and the inability of the Shah to maintain order. The discrepancy between his earlier belief in the stability of the Shah's rule and the evidence of strong and sustained opposition probably would have been enough to make him question his basic assumptions.

But the exposure to a steady stream of events, few terribly startling when taken one at a time, had much less impact. If the analysts had been able to step back and re-read the information that had come in over the previous six months, the cumulative impact of the discrepant information might have been greater. But the pressure to keep up with the latest events militated against this. Furthermore, the growth of the opposition was not entirely steady. Lulls were common. And many expected (and perhaps planned) demonstrations failed to occur. As a result, analysts could always believe that a current peak of opposition would subside, as earlier ones had.

12. A sixth obstacle to understanding was the history of 15 years of unbroken royal success. As ORPA's senior political analyst pointed out in early 1976, "The Shah of Iran has been on his throne 34 years, far longer than any other leader in the Middle East. He has not only outlived most of these rulers, but has outlasted the many official and unofficial observers who, two decades ago, were confidently predicting his imminent downfall."

We think it likely that the knowledge that the Shah had succeeded in the past against all odds and contrary to most analyses made observers especially hesitant to believe that he would fall this time. The past challenges seemed greater; the Shah had seemed weaker. Indeed the NIEs of the late 1950s and early 1960s had said that the Shah probably could not survive. Intelligence underestimated the Shah many times before; it was not likely to do so again.

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13. A seventh factor that inhibited an appreciation of the danger to the regime was that riots were not uncommon in Iran. Student demonstrations were frequent, and so no cause for alarm. Demonstrations by other segments of the population and linked to religion were less common, but still not unprecedented. The important opposition of this kind occurred in 1963 and forced the Shah to resort to brutal, but short and effective, repression. [REDACTED]

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Information Available

14. The information that came into NFAC was not all that could have been available on Iran, but it was what the analysts had to work with. The subject of collection is beyond the scope of our investigation/

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Nature of the Production System

3. What was needed was sustained and thorough evaluation of the most important questions--e.g. the Shah's ability and willingness to follow a coherent course, the nature and depth of the opposition, the ability of the opposition groups to work together. Such analysis should have examined alternative interpretations of events and mustered all the evidence that could be found. Instead, the format of NFAC production and the informal norms of the intelligence community led to intelligence that focused on the latest events and reports, that presented one view, and that adduced little evidence. []

4. The NFAC product can rarely be faulted for failure to convey the information in the latest field reports. But there was much less discussion of the forces that were affecting events and that would influence whether the latest lull was merely a temporary respite or something more lasting; whether the latest cable saying that the moderates were afraid that the protests were getting out of control indicated that an agreement with the government was likely. The analysts' pre-existing belief that the regime was very strong and that the opposition was weak and divided did not prevent them from seeing and passing on the disturbing reports [] [] But the belief may have been reinforced by the requirements of current intelligence and made it more difficult for them to get beyond the specific events and see what patterns were emerging. []

5. The Daily Publication. The problems are greatest with the NID, which concentrates on telling what has happened and only rarely contains analysis or forecasts of political trends and developments. This publication absorbs a great deal of the analysts' time, accounts for a high proportion of the intelligence that NFAC produces, and is considered by most ORPA analysts to be the most important NFAC publication after the PDB. (OER analysts are rewarded not so much for NID items as for publishing in the EIWR.) Even on days when NID items are not being prepared, analysts must take quite a bit of time to be ready to write for it in case they are asked to do so. Almost all articles are short, since no more than two longer and more analytical articles are run in each issue [] []

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6. This type of intelligence production is necessary for tracking a rapidly changing situation. If the premises on which the discussion is based are correct and remain so throughout the period, this mode of analysis will serve the community and the consumers well. But given the fragility of observers' understanding of most other countries, it is rarely wise to assume that discussing the most recent developments without reflecting on the more basic questions will be sufficient; questions that do not lend themselves to treatment in terms of the latest demonstration, the latest lull, or the most recent event.

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7. NID items often draw conclusions, but do not explain how the conclusion was reached or what alternatives have been rejected. In addition, because the system requires that political NID items be tied directly to reporting, analysis often stops short of stating the full implications of the information presented. For example several stories in the NID in mid-September 1978 implied that the Shah's efforts to win over the moderates would not succeed. This is especially true if one takes all the stories together rather than reading just one of them.

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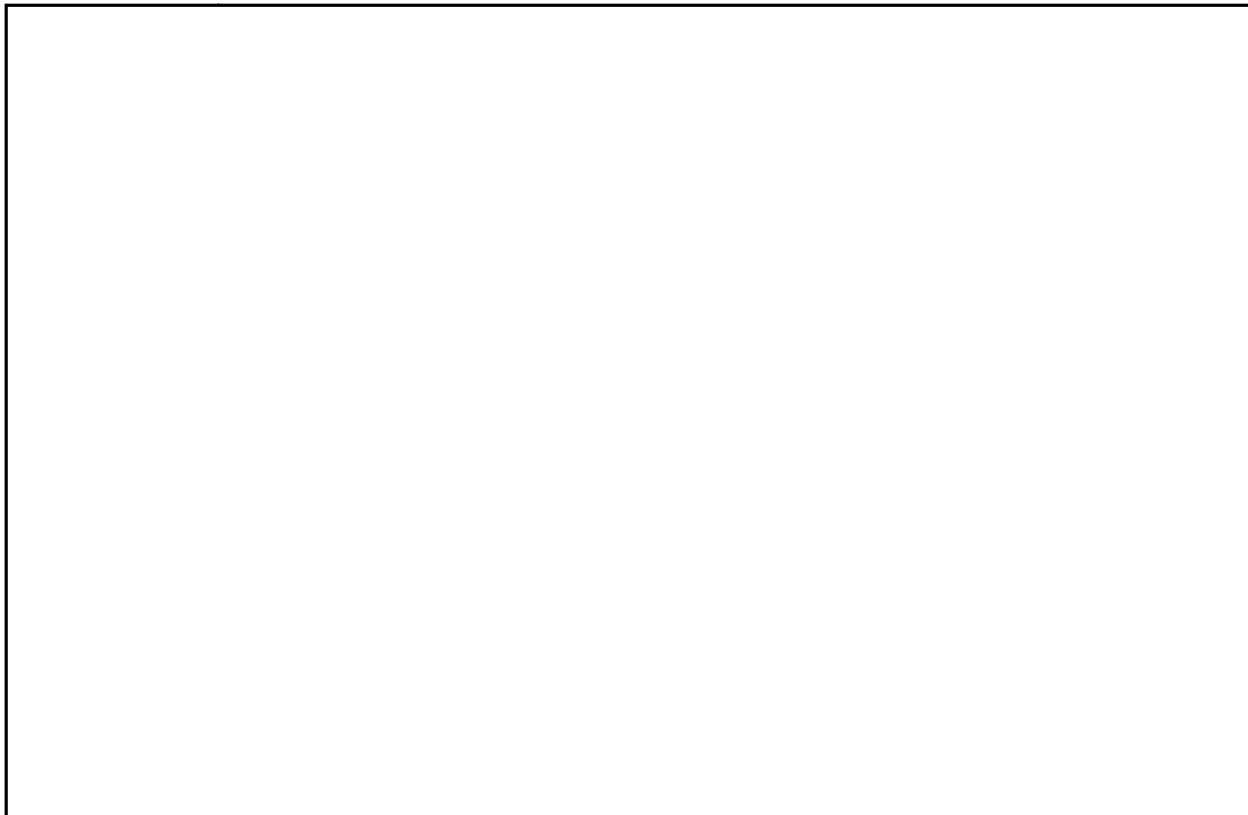
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But of course they did come to readers one at a time and the pessimistic inferences had to be drawn from the stories rather than being presented bluntly. Similarly, in late September and October there were frequent articles about the strikes and continuing unrest. But each event was treated in relative isolation and explicit judgments about whether the regime could survive these strains were es-chewed.*

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8. Other Vehicles for Intelligence Production. The incentives for analysts to write for the NID are stronger than for producing articles for the Middle East and South Asia Review, a weekly ORPA publication, although the format of the latter is better suited to good analysis. This publication includes pieces that can be longer and less tied to the latest cables, thus permitting the treatment of important topics and questions, with a good deal of evidence and alternative interpretations. But this was not done in the case of Iran. Part of the reason may be the desire to keep the treatment as short as possible and part may be a belief that this publication does not have much impact.

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12. Selection of Issues to be Treated. It seems to us that there was a failure at management levels to see that proper attention was paid to those topics which bore most directly on whether the Shah would survive. Indeed it is striking that throughout the period no papers were produced which had as their main focus the question of whether the regime could be overthrown. Part of the explanation may be that opinions shifted fairly suddenly--until mid-October almost everyone thought the Shah would survive and by early November almost everyone thought he was in very serious trouble--and part may be the lack of a suitable procedure and format. But whatever the cause, we think it is not only hindsight that leads to the conclusion that as the protests grew, the analysts and managers should have sat down and tried to locate and analyze the important questions, many of which were not pegged to the latest events. In retrospect, it is obvious that it would have been extremely valuable to have had discussions of such topics as: when and whether the Shah would crack down; the conditions under which the opposition would split; the depth of the feelings against the Shah; and the possibilities and dangers of liberalization. []

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13. Such questions deserved special attention because the answers to them were closely linked to predictions about the future of the regime. As it was, these topics were mentioned in passing, but never were examined in depth. Presumably, this could not have been done without either adding analysts or diverting some of their efforts away from the current reporting. The obvious question is whether it is so important for NFAC to provide as much coverage of the latest events, and this subject is beyond the scope of this report. In the absence of such an increase or diversion of resources, however, most finished intelligence on Iran was strongly driven by the latest events. []

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14. As NFAC operated in this case, we wonder if papers like these would have been produced even had the analysts had more time. First, they would have required someone to determine what subjects needed close examination.

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The analysts of course can and should have a hand in this, but they are likely to be too close to the daily events to do this on their own. Furthermore, the selection of topics must be guided in part by the problems that are of concern to decisionmakers and the chains of reasoning that decisionmakers are employing. People who are aware of what these people are thinking must be involved in the process. Second, the analysts may lack the training and experience in this kind of work, because most of what they are called on to do in the normal course of events is largely description and summarization. When people are not used to writing analytical papers one cannot expect them to be able to do so when the need arises. Frequent experience is necessary to develop the needed skills. Third, such papers would probably not have been as good as they could have unless there was a community of analysts--both Iranian experts and good political generalists--to provide suggestions and criticisms. As we will discuss below (pp. 33-34), in the case of Iran there was no such community. ☐

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15. In the case of Iran, there was also a failure of what can be called intellectual or analytical management in the absence of substantive review of what the analysts were writing. Others in NFAC did not go over the political analysts' arguments with them, probing for weak spots and searching for alternative interpretations that needed to be aired.* ☐

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Correctives

16. Evidence. From reading most NFAC documents one cannot tell how the analysts reached their judgments or what evidence they thought was particularly important. One does not get a sense for why the analysts thought as they did or what chains of reasoning or evidence might lead one to a different conclusion. At any number of points in NFAC products one can find unqualified assertions without supporting evidence presented. Space limitations explain the paucity of evidence in the NID and reader impatience is an important factor in preparing the other publications as well, but the result is unfortunate. ☐

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**For part of the explanation, see subsection, Discussion and Review (pp. 32-37) below.*

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17. To put this point a slightly different way, if one started with the belief that the Shah's position was weak, there was almost nothing in the finished intelligence that would have, or should have, led one to change one's mind. Reading NFAC production would show that other people had a different view, but not why this view was valid. Most often one finds assertions, not arguments supported by evidence. Often it is only their inherent plausibility that would lead one to accept the conclusions. [REDACTED]

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18. Of course the consumers do not have time to read a full account of the evidence on which judgments are based. But such a development and presentation would still serve important functions within the intelligence community. Individual analysts may not fully realize how much--or how little--evidence supports a given position unless they work through it systematically. And doing so can yield new insights. Analysts in other agencies can read fuller versions and so both be better informed and be in a better position to offer criticisms and conflicting views. Middle-level NFAC managers could also work with papers that had fuller evidence and would be able to see what judgments seemed questionable, where the arguments were weak, and where alternative explanations needed presentation and exploration. Here, as in other areas, we recognize that available resources set limits to what can be done, and that other equities have claims on those resources. But time spent on a systematic exposition of the evidence for and against a particular belief may well be more valuable than an equal amount spent on reporting the latest events. [REDACTED]

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19. Alternative Explanations. In addition to producing evidence, or rather as part of the same process of demonstrating why a conclusion is valid, discussions will often be of greatest value when they include explicit consideration of alternative interpretations. Most NFAC analysis on Iran did not do this. At times, it admitted puzzlement. But usually it gave a single, quite coherent, explanation.* What is most important is not that many of those explanations turned out to be incorrect--since the evidence was often skimpy and ambiguous--but that a range of interpretations was not presented.

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[REDACTED] notes that the single coherent explanation has long been the preferred analytical style in NFAC and its predecessors. Alternative explanations have been employed from time to time, usually at the expenditure of great effort and with senior management support. [REDACTED]

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We think this should be done on a regular basis, with evidence present for and against each of the alternatives. ☐

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20. The number of questions on which this can be done and the number of alternatives that could be developed are theoretically limitless, but it is often possible to find a relatively small number of crucial ones, which, if answered differently, would most alter one's understanding of the situation and the predictions one would make. The availability of feedback from policymakers would help in choosing the questions. ☐

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21. The point of this exercise is three-fold. First, it would encourage the analysts to be more explicit about their reasoning processes by making them contrast their views with the ones they have rejected. Second, it would lead them to marshal their evidence in a systematic way. Third, the process of working through the alternatives should encourage the analysts to think more thoroughly about some of their important beliefs. Some of the problems we located in the dominant interpretations could have been addressed at the time if the analysts had proceeded in the manner we are suggesting. For example, it might have become clear that the belief that the Shah would crack down if the situation became very serious was impervious to almost all evidence short of that which would appear at the last minute. Similarly, a thorough analysis of what was believed and why might have shown the importance of what Khomeini stood for and thus led to systematic efforts to gather more evidence on this question or at least to a more detailed examination of the information NFAC had and the inferences that were being made about him. ☐

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22. One obvious difficulty is that seeing things from a different perspective or discussing possibilities that others have not seen or have rejected is not likely to occur unless it is rewarded by the organization. This would involve a recognition that in many cases the effort will not have direct benefits. Usually the dominant view is correct, or at least closer to the truth than many of the alternatives. It is now easy to see that alternatives should have been raised about Iran, but the case must rest not on the claim that the dominant view was wrong, but on the argument that examining several alternatives will lead to better analysis. But unless this mode of argumentation is valued and rewarded by NFAC, it is not likely to thrive because it asks analysts to discuss positions that they disagree with and which they know are not likely to be accepted. ☐

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25X1 23. Predictions as an Analytical Tool. As [] [] has pointed out,* studies in psychology show that people tend to maintain their beliefs and images in the face of what in retrospect is an impressively large amount of discrepant information. We all tend to see the world as we expect to see it and so are slow to change our minds. As the open literature has discussed at length, this tendency is not always pathological since much evidence is so ambiguous that we could not make any sense out of our world unless we allowed our interpretations to be strongly guided by our expectations.** But there is an ever-present danger that the analyst will fail to properly interpret, or even detect, evidence that contradicts his beliefs and so will maintain his views--perhaps even failing to see the alternative--in the face of mounting evidence that is incorrect. []

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25X1 24. The case of Iran reveals a need for analysts to make sharp and explicit predictions as a partial corrective for this danger. The point of this is not to exaggerate how much we know or to develop a scorecard, but to encourage the analysts to think about the implication of their beliefs and to have them set up some indicators of what events should not occur if their views are correct. This can sensitize them to discrepant information which they would otherwise ignore. Of course having a prediction disconfirmed does not mean that one should automatically alter the most basic elements of one's beliefs. The fact that demonstrations grew larger than most analysts thought they would does not mean that they should have jumped to the conclusion that the Shah was about to fall. But since most people correct their beliefs too little rather than too much as new information appears, paying special heed to events that do not turn out as expected can be a useful corrective. []

25X1 25. Explicit predictions would have been especially helpful in the Iranian case because, as we discussed in other sections, much of the discrepant information arrived bit by bit over an extended period of time. Under these conditions it is very easy to fail to notice that events are occurring which would have been unthinkable a year before. Systematic procedures are needed to make analysts reflect on the gaps that may be developing between the events and the implications

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of their basic beliefs. Thus it might have been useful if shortly after Sharif-Emami was appointed Prime Minister and made significant concessions to the opposition, the analysts had made explicit predictions about their impact. Without this, it was too easy to overlook the degree to which the developing events did not fit easily with an optimistic assessment. Similarly, analysts could have tried to clarify what level of intimidation they thought would be effective in discouraging the opposition and the size of protest marches and demonstrations that they thought the dissidents could muster. We think that one reason why the analysts did not see the full significance of the number, intensity, and nature of the demonstrations was that they became too accustomed to them. The size of the demonstrations and the number of casualties were implicitly compared to what had occurred in the last weeks or months rather than being matched against expectations generated by beliefs about how serious the situation was. Thus as the scope of protests increased, the amount of unrest that the analysts implicitly accepted as being consistent with their belief that the Shah could survive also increased. Had they made explicit predictions at various points in the spring and summer, they might have been quicker to reevaluate their position. []

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26. The belief that the Shah would crack down if it became necessary might also have been subject to great doubt if explicit predictions had been made about the level of disorder they thought the Shah would permit. Since the initial statements about a possible crackdown occurred in December 1977, it appears that when the unrest started many observers thought that this level was fairly low. Throughout 1978 NFAC received and occasionally made similar statements. No one noted that they had been made before, when the protests had been much milder. If analysts had been pushed to say not only that a crackdown would occur if things got serious enough, but how much protest would be required to trigger repression, their predictions would have been disconfirmed and they would have been more likely to re-examine their underlying beliefs.* []

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25X1 27. Not only predictions, but some ways of reminding people of them, are necessary. [REDACTED]

25X1 28. These predictions need not be made in official papers and would not be for the purpose of attempting to foresee the future. Rather the process of making the predictions would help the analysts understand the full implications of their beliefs, and the predictions themselves could serve as benchmarks which could help the analysts avoid the common trap of seeing too many events as consistent with their beliefs. [REDACTED]

25X1 29. Simplistic Terms. Intelligence publications have a long history of using shorthand terms. They have the advantages of brevity and of conveying understanding to a readership not necessarily familiar with the country or subject being discussed. But there are traps in such usage. Shorthand terms such as "left-wing" or "right-wing," derived from Western political processes, are usually not applicable to authoritarian LDCs. "Extremist" and "moderate" are troublesome in that they may reflect more of the attitude of the user than of the person or institution described. Very often such an outmoded or incorrect term is so deeply embedded in the lexicon that only heroic efforts by strong-minded people will root it out. Usually it is succeeded by a new term that becomes equally resistant to change. [REDACTED]

30. Happily NFAC production on Iran did not err grievously in this area. In describing the religious opposition to the Shah, NFAC publications used "fundamentalist," "conservative," and occasionally "dissident" as adjectives. When

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an analyst was not constricted by length requirements, he has attempted to define the terms he used. [REDACTED]

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[REDACTED] Nonetheless, there were uncertainties; the "moderate" religious opposition would have been more properly characterized as a group prepared to acknowledge a role, albeit limited, for the Shah and desiring greatly enhanced powers of their own. [REDACTED]

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31. The possibilities for conveying misleading information to consumers through the use of shorthand terms are many. We think that all those involved in the production process--managers, analysts, and editors--need constantly to keep in mind the prospective readership of the document they are working on and to question whether a given term will give a reader a correct, and not just a brief, understanding of the phenomenon it purports to characterize. [REDACTED]

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32. Discussion and Review. A basic problem with the process by which finished intelligence was produced in the case of Iran was that there was little sharp and critical discussion among the analysts. NFAC does not have any institutions that provide the functions of both evaluating and stimulating the analysts that are performed in the academic world by peer review. Analysts are then not challenged and confronted with conflicting views and counter-arguments as much as they could be. In practice, coordination of finished intelligence rarely leads to discussion of fundamental judgments. Peer review is certainly no panacea, but it can both help evaluate the quality of work in instances where consumers are not experts and can help the analysts by leading them to see where their arguments might be altered or strengthened. It is hard to do good work in the absence of mechanisms for performing these functions. NFAC has all the requirements for peer review except appreciation of its value. Most analysts and managers appear to consider it threatening rather than helping. The reception of NFAC's long papers on Iran is an illustration of the problem. Although the State Department's Country Director for Iran said that Elites and the Distribution of Power in Iran "should be required reading for newcomers to the Iranian scene" (the Iranian analyst in INR and a senior Pentagon official were equally laudatory), almost no one offered substantive comments and criticisms. Without claiming that criticism automatically leads to better analysis, we

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think that its absence renders learning and improvement very difficult. The analyst is operating in something of a vacuum. He cannot easily see alternatives to his own perspective. He does not have colleagues to point out information he may have missed or interpretations he should consider. []

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33. The lack of a "community" of analysts dealing with a problem, a subject, or a country is noteworthy. The division of NFAC and its predecessor by discipline contributes to this. So do the small number of analysts [] (and fragments elsewhere) and the infrequent communication across disciplinary lines. An additional factor is the tradition in ORPA's predecessor office of analysts working on "their" country, building a psychological fence that others won't cross. []

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34. The effective size of the community was even smaller than these numbers indicate. Within NFAC, the senior political analyst was generally deferred to because of his long experience in and deep knowledge of Iran. The consequence was not only that one voice carried great weight, but that this analyst did not have the opportunity to test out his ideas on others who might disagree with his conclusions or make him fully articulate his assumptions and reasoning processes. []

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35. [] who has seen finished intelligence produced by a variety of organizational forms, notes the importance of the current absence of institutional competition and the supportive criticism it can provide. The mechanism that once existed where a current office and an estimate office looked at issues from their different perspectives was not a cure-all, but it did offer on a regular basis opportunity for different approaches to surface. The exchange involved sharpened argument and caused people to examine assumptions. No such opportunity existed during the period we are reviewing. Its demise is a considerable loss. []

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36. The size of the relevant community was further reduced by the isolation of the ORPA analysts.* They had few close

**OER analysts were not as isolated because OER is the largest, and probably the most important, of the government groups working on other countries' economies and is plugged into a network of economic analysts in other agencies. The establishment of the Iran Analytic Center (mid-November) may have alleviated some of the problems of analysts' isolation which are discussed below.*

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contacts with academics or other informed experts outside the government; they had few conversations with people in State or NSC; even during the fall they were not involved in any of the inter-agency meetings that considered the Iranian problem, except for ones involving the NIE. (NFAC was represented by the NIO or his deputy.) The problem is not only in the lack of discussions between NFAC analysts and those from other agencies--ORPA and OER analysts rarely had thorough talks about what was happening in Iran.

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37. The senior political analyst knew several outside experts fairly well, but not so well as to be in close touch with them during the crisis. This is especially striking because many of his concerns were "academic." But, until only a few years ago, close contacts were encouraged by only a few offices in the DDI (NFAC's predecessor); most analysts were not urged to meet outside experts or given travel money to go to meet them--and old attitudes die hard. Many people outside the government are of course hesitant to talk to anyone from the CIA, and the expectation of being rebuffed further inhibits trying to develop such contacts.

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38. Relations with people at State were not close. Several years ago the Iranian desk officer had weekly meetings of Iranian specialists throughout the government concerned with policy and with intelligence, but when a new desk officer was appointed this pattern was broken. Once broken, it was hard to re-establish. The NFAC analysts felt they could not re-establish it, in part because of the obvious difficulty of getting people to come out to Langley, in part because meetings sponsored by NFAC would be of limited interest to many potential participants because they would not deal with US policy. The OER analysts frequently talked to their opposite number on the Iran desk in State and they have told us that these exchanges were very beneficial, both for the information and the ideas that were gained. There were few conversations between the ORPA analysts and the desk officer, however. This was especially unfortunate because the latter was probably the most pessimistic official in the government. The analysts had fairly frequent discussions with George Griffin, Chief of INR/RNA, South Asia Division, but these almost always concerned specific pressing questions and did not lead to a general exchange of views on such topics as whether the opposition would split or whether the Shah would act decisively. Furthermore, most

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25X1 conversations were carried out via regular telephone lines (INR offices do not have secure phones at hand) and so had to be very restrained. [REDACTED]

25X1 39. Thus the differences between ORPA and INR were never argued out. Griffin (and presumably [REDACTED]) read the NID (and several long NID items in the fall of 1978 were concurred in by INR), NFAC analysts read INR's dissenting footnote of 11 September [REDACTED] and its slightly pessimistic IIM of 29 September. But they never sat down together to learn exactly where they differed and why. [REDACTED]

40. There was no contact between the analysts and people from the NSC. Again the analysts felt they could not take the initiative, and since they almost never saw the relevant NSC staffer there was no opportunity for them to develop habits of exchanging views. [REDACTED]

25X1 41. As the crisis developed, inter-agency meetings were devoted to Iran. As noted above, NFAC was represented by the NIO or his deputy and the "working level" analysts were not present. Furthermore, the NIO did not tell the analysts of what was said at these meetings, what people in other agencies were thinking, where the arguments they were making in the NID might be revised in light of other opinions, or what assumptions others held. [REDACTED]

25X1 42. As the NIO became more pessimistic during October, he understandably lost faith in the political analysts' judgment. As a result, he did not engage in full exchanges of opinion with them. The analysts suffered by missing the knowledge that others in NFAC and outside disagreed with them and losing opportunities to have their arguments challenged and rebutted; the NIO suffered by losing some of the information and insights held by the analysts and by not being able to develop his arguments by testing them out on an expert who disagreed. [REDACTED]

25X1 43. Several NFAC analysts mentioned that throughout most of the period of growing unrest, they reinforced each other in their beliefs that the Shah could survive. They were not wrong to draw added confidence from the fact that there was a high degree of consensus, but given the fairly small number of analysts involved and the difficulties in predicting what would happen, it might have been helpful to have sought wider

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views. There was one such meeting with outside experts in late October 1978 sponsored by State, and several of the analysts later remarked on the range of information and contacts which the academics had and were struck by the latter's general pessimism.* Without resorting to the artificial device of devil's advocates, the bringing in of a wider circle of analysts might serve the function of challenging assumptions and increasing the sensitivity to information that does not fit the prevailing views. []

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44. Because so much of the analysts' time and attention must be focused on summarizing and simplifying the confusion and complexity in the area of their specialization so that it can be understood by harried generalists, there are few incentives and opportunities for the analysts to develop more fully their views in as much sophistication and depth as they are able. In calm times, the kinds of papers we think were needed in the summer and fall of 1978 probably will be of little use to consumers. The audience will have to be others in the intelligence community and perhaps FSO's on the country desk in the State Department. But without greater incentives for the analysts to write for their colleagues as well as for their superiors, we wonder if they can be prepared to foresee crises and deal with them when they arise. (For a related point, see above, p. 27.) []

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45. Especially when the number of NFAC analysts working in an area is small, we think it is important for them to have as extensive contacts as possible with outside experts. Without this the analysts may not come to grips with the range of possible interpretations of events and may end up presenting facts and interpretations that are far removed from what other knowledgeable observers believe. This problem is especially great when one deals with countries which consumers know relatively little about. Any number of important facts could be mis-stated or omitted and very questionable interpretations could be asserted as though they were universally agreed-to without consumers being able to detect the problem. For example [] reaches quite favorable judgments about the GOI's programs in such areas as family planning, education, and the economy. It

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**Other participants detected no substantial difference between government and outside discussants.*

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claims that "Iran will probably come close to the Shah's goal of a per capita GNP equal to that of Western Europe by the mid-1980s." [REDACTED]

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[REDACTED] states that "There is little in the Shah's overall reform program that would be objectionable except to the most reactionary and conservative groups.... The reforms have generally been a success because the Shah has had enough authority to push them in the face of the usual bureaucratic inefficiency and lethargy." (p. 21); also see NIE draft of 6 September 1978, p. I-14, [REDACTED]. These judgments may be correct and may even be shared by all experts in the field. But without drawing on a wider circle of experts there is no way of assuring that this is the case. In our judgment, NFAC should make strenuous efforts to assure that its understanding of various countries; i.e. the crucial background beliefs against which the interpretation of specific events is done, is as deep as possible. As with employing alternative arguments (above), the activity that can build such understanding must be valued and rewarded by NFAC; results will appear in the long-term, not in immediate production. [REDACTED]

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46. Although contacts with outside experts may be of some assistance if made during a crisis, they will be most fruitful if the analysts have developed working relations with them over an extended period of time. Of course this is difficult when the turnover of analysts is high and in any event requires NFAC management support for travel and conferences and a milieu which encourages such contacts. [REDACTED]

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47. In addition to maintaining close contacts with outside experts, NFAC could have involved some people within the Agency who had not been deeply involved with Iran. Such persons, even if they shared the basic predisposition that the Shah was strong and the opposition weak and divided, might have been quicker to notice the discrepancy between their views and the evidence of growing demonstrations. Having no stake in the previous predictions, they could have found it psychologically easier to take a new look at things. And because they would not have been experts on Iran, they would have been more likely to focus on some of the basic questions which the more experienced analysts by now took for granted. It may have been no accident that by early October the NIO was relatively pessimistic, and he was new to his job. [REDACTED]

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The Estimative Mechanism

48. While unrest was building in Iran, a proposed NIE on the future of that country was being drafted. The process had started early in 1978 because it had been several years since the last NIE was completed; it was not a response to specific events.

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[REDACTED]

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49. The drafting of the NIE did not lead to a fruitful discussion of important issues, perhaps because there was a great deal of agreement among the participants.* The last draft of the paper does not reveal tighter arguments, more and sharper alternative perspectives, or more carefully developed evidence than does the first draft. The scheme of organization changed, some topics were added and some were

**INR was more pessimistic, as is most clearly shown by its footnote of 11 September 1978 [REDACTED] INR's differences apparently first surfaced at the initial coordination meeting of 28 July, but not in strong enough form to have an impact on the NIE, and were repeated more vigorously at the 30 August meeting. [REDACTED]*

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deleted, and minor alterations allowed individual positions to become community-wide ones. But by and large, all that happened was that separate parts of the drafts were paper-clipped together rather than integrated (e.g. the political and the economic sections). The NIE suffers from a rambling style which lacks tight organization and well-crafted arguments. In many places the paragraphs often seem to be placed at random; even paragraphs themselves lack any clear line of march. The document is hard to read and harder to remember. Partly for these reasons, the NIE did not focus the reader's attention on major judgments. [REDACTED]

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50. The reports of the analysts confirm the impression produced by reading the drafts: they did not learn much from putting the paper together. Their ideas were not challenged by others in the community; they did not have to probe their own pre-existing beliefs or the evidence they had felt was significant; no flaws in what they had thought were brought to the surface; no one made critical and penetrating comments on anyone else's analysis; no one was led to see things in a different light. [REDACTED]

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51. Judging from the changes in the successive drafts of the abortive NIE, most of the energy of this process went into subtle wording changes that would be apparent only to someone who had seen several versions. [REDACTED]

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52. Part of the reason why the important issues of who supported the Shah, and with what intensity, did not get analytical treatment in this forum may have been that the participants do not see the NIE, and especially the body of the paper, as opposed to its principal judgments, as particularly important because they doubt whether it would be read, let alone absorbed, by the policy-makers. [REDACTED]

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53. In retrospect, it is apparent that the government would have been better served by a paper that did address the shorter-term questions. To have asked for such a paper, however, would have required a recognition that the Shah was in serious trouble, and given the prevailing beliefs, that could not have occurred until the end of August at the very earliest. Indeed, INR called for such a paper on 12 September. But it took a week for NFAC to decide that such a paper should be produced and another ten days for the State Department to draft it. Apparently influenced by the mid-September lull, the paper concluded that "The Shah no longer appears to be in immediate danger of being overthrown. There is considerable question, however, of his ability to survive in power over the next 18 to 24 months." [REDACTED] The paper was much more sharply focused than the NIE, but still failed to address several of the questions mentioned in other sections of this report which would strongly influence the Shah's fate. Whether this IIM would have served a useful purpose is difficult to determine. In any event, D/NFAC decided not to pursue it "on the grounds that it considers too immediate a time frame; what is needed is a new draft NIE that...considers both near and long-term problems." (Chronology of Iran NIE, page 4, [REDACTED] enclosure (2) to NIO/NESA memo to DCI, 17 November 1978, [REDACTED] Such a draft was prepared by the NIO's office at the end of October, but by this time it was no longer relevant. [REDACTED]

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54. It is obvious that a lot of time and energy was expended in these efforts, with little to show in terms of results. We think that managers could have done a better job of focusing NFAC resources on the timely analysis of the most important questions. [REDACTED]

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25X1 55. At the risk of appearing parochial, one of the authors of this report [REDACTED] wishes to point out that the intelligence community once had an estimative mechanism which could and did produce analytical papers (SNIEs) on issues such as that of the Shah's position and short-term prospects in a few days or a week. Such production forced analytical attention on what management and policy-makers (if they asked for a paper) considered to be the important issues. The present lack of an institution with such capacities may have contributed to the difficulties in this case. [REDACTED]

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WHITE REVOLUTION

1. In retrospect, the analysis of the difficulties of staging a "white revolution" was a bit superficial and over-optimistic. Perhaps the analysts, like many non-governmental observers, were misled by the Shah's many successes--real and apparent--and so lost sight of how hard it was to modernize, liberalize, and yet maintain control. History provides few examples of leaders who have been able to do this over an extended period of time. That the Shah was able to do as much as he did is a testimony to his resourcefulness. Without suggesting that one could have predicted with certainty that he would eventually fail, we think that the problem was serious enough to merit more careful and sustained analysis of the situation he was in and the problems he faced. Our conclusions and evaluation are on pp. 65-67.

A Politico-Economic Problem

2. Three aspects of the issue are apparent, and we do not think that it is only hindsight that makes them stand out. One is the impact of the huge influx of oil money on the country. On this point NFAC's product suffered badly from the separation of political from economic analysis (a subject to which we will return). The deficiency is a common one and exists outside of government as well as in it. Analysts are trained in either politics or economics, and institutional barriers inhibit joint work, with the result that topics that combine both subjects do not receive sufficient attention. Thus it is disturbing but not surprising that NFAC papers gave the facts and figures on economic growth and change, talked about the rates of inflation and the bottlenecks and inefficiencies in the economy, but never explained what this was doing to the political system. More specifically, little was said about the changes in power that were occurring and the resulting grievances among those who were losing out economically--at least in relative terms and losing political influence--even in absolute terms. Brief mentions are sometimes made.

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bazaaris and other segments of the middle class. The political impact of the cooling off of the economy after mid-1977 should have been examined. The common belief, mentioned in many NFAC publications, that the greatest dangers would arise in the mid-1980s when oil revenues decreased, social problems accumulated, and the Shah tried to arrange the transition to his son's rule helped to distract attention from the present problems. Had this belief been borne out, NFAC would undoubtedly have been congratulated on its foresight. That it was not does not mean that such attempts to see problems long before they arise should be discouraged.

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4. These economic changes produced several effects. First, the quality of life was actually lowered for some people, especially those who were hard hit by inflation. Second, many important groups lost power and influence as new entrepreneurs made their fortunes, often through connections with the regime. Thus it is not surprising that the bazaaris strongly supported the opposition. Third, foreigners had a large role in the economic changes--and were probably seen as even more important than they actually were--thus increasing nationalism. Furthermore, since the Shah was closely identified with foreign interests, he was the target of much of this feeling. Fourth, the dislocations and rapid changes led in Iran, as they usually do, to a resurgence of traditional values, in this case religious values. Hindsight makes these patterns clearer, but they are common ones in societies undergoing rapid economic growth and we think that both analysts and management in NFAC should have known that they called for close attention.

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5. The second aspect was the peculiar nature of the oil boom, which posed special problems. Not only was the increase in government revenue both terribly rapid and terribly large, but the government did not have to develop efficient state machinery for mobilizing or extracting resources from the general public. This enabled the government to avoid unpopular measures, but it also had two unfortunate side-effects which were not treated in the NFAC papers. First, the government could avoid heavily taxing the rich. While this had some political benefits, it allowed the income disparities to increase markedly and fed resentment among the rest of the society. Second, it allowed the government to forgo ties to the grassroots--either repressive or mobilizing. It was thus easy for the government to lose touch with mass opinion.

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It lacked the organizations and cadres which could have channeled demands, transmitted information and coopted local leaders, and exerted control through means less intrusive than SAVAK. These efforts are difficult and often fail, but in most cases states that do not have some success along these lines simply cannot bring about great social change because they lack the instruments for doing so. In sum, the oil boom allowed the government to foster large-scale social change, with the resulting disruption of much of society, without having to develop the instruments that could help ameliorate some of the problems and channel and control the dissent. The GOI apparently realized this and tried to develop the official political party and several auxiliary organs [REDACTED]

but these efforts failed. The government was then more fragile than it seemed. [REDACTED]

The Shah's Liberalization Program

6. The third aspect of the Shah's general dilemma that received insufficient NFAC analysis was the problem of liberalizing a repressive regime. This problem was mentioned with some frequency, but there was no detailed and careful discussion of how great the problem was or how the Shah might cope with it. This question was of obvious importance after the fall of 1977 when the Shah started to liberalize and when the USG had to decide how much to push the Shah to liberalize, but at no time in the succeeding year was there an NFAC discussion that was more than a few sentences long. In early August 1978 when the Shah pledged that the forthcoming Majles election would be completely free and when Sharif-Emami introduced a number of wide-ranging reforms a month later, the question of the ability of the government to carry out this policy, without losing control of the country should have been sharply raised. These measures and this problem were of course overtaken by events, but since this was not known at the time we do find it surprising that they did not receive more attention. By early September the new political parties were allowed to form, the government sponsored Resurgence Party was allowed to collapse, free debate was permitted in the Majles and the press was allowed to print what it wanted. These were enormous changes. [REDACTED]

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12. NFAC analysis was alert to the general problems posed by liberalization quite early and generally not only did a good job of summarizing the reports from the field but also adopted a slightly more pessimistic--and more accurate--view than the Embassy. But NFAC production was not thorough, penetrating, or sustained. It stayed too much on the surface of events, in part because of the pressure to report the latest developments, and did not come to grips with the basic problem of whether the Shah's dictatorial regime could safely permit a high level of political freedom. Part of the explanation is that the pace of liberalization was fastest after late August and by this time so many things were happening that the analysts had to carefully ration their attention. The demonstrations, strikes, and riots were more pressing and had to be reported. []

13. As early as 10 February 1978, [] noted an aspect of the problem when he analyzed the protests of the month before:

Such demonstrations have been encouraged by the recent worldwide interest in human rights and by the somewhat more lenient policies the government has been attempting to follow as a result of foreign criticism. The government--and therefore the Shah--is in something of a dilemma. If it permits its most basic programs to be challenged, demonstrations will continue and probably intensify; if it meets such demonstrations with force, it can be accused of suppression of civil and religious liberties. Short of capitulation there is probably little that the government can do to mollify most of its opponents. []

14. When the Shah continued the new policy of allowing public criticism of his regime and tried to cope with the winter and spring riots with as little bloodshed as possible, [] noted that "The new line of tolerance of dissent adopted by the Shah presents the security forces with the problem of how to control public disorder without

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resort to the harsh measures of suppression that have been common--and effective--for the last 15 years." [REDACTED]

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[REDACTED] After the announcement that the Majles elections would be free, [REDACTED] pointed out that:

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The Shah is taking a calculated risk. Just as his more liberal approach to dissent in the last two years has resulted in violent demonstrations by those hoping to force more concessions from him, so the promise of free elections is likely to produce new political ferment. . . . His success will ultimately depend on the willingness of a generally irresponsible opposition to forego violence in exchange for a legal political role. . . . The next year in Iran could, like 1906, 1941, and 1953, be a turning point in Iranian history. Sinbad, the Persian who let the genie out of the bottle, was never the same afterwards. [REDACTED]

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A shortened version of this memo which ran in the NID the next day omitted the last two sentences. [REDACTED]

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15. But after this, NFAC production said little about the consequences of liberalization. On 11 September 1978 the NID reported that the imposition of martial law had not weakened the Shah's commitment to liberalization [REDACTED] and on 14 September the analysts made the important point that "The radicals are portraying both the Shah's liberalization program and his recent concessions to the religious community . . . as a reflection of his weakness."

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They argue that they must now exploit this by demanding further and more extensive concessions." [REDACTED] 15 September 1978) This paralleled the observation in the NID two weeks earlier that "The Shah's appointment of a new cabinet [headed by Sharif-Emami] could be interpreted by some Muslim clergymen as a capitulation to their demands. This could encourage Muslim leaders to push for further political concessions, such as the right of the Muslim clergy to veto Parliamentary legislation--something the Shah is certain to reject." (NID, 28 August 1978, [REDACTED])

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[REDACTED] These articles pointed to a dynamic process which the Shah would not be able to control and indicated why limited liberalization was not likely to succeed. But this was never stressed or treated in more detail and depth. The strength of these forces was not compared with those that were conducive to a peaceful solution and the potential clash between the Shah's desire to liberalize and his willingness to use force if the protests got out of hand (see below, pp. 72-74) was not noted.* [REDACTED]

16. On 16 September the NID argued that the combination of martial law and political liberalization might be effective [REDACTED]

[REDACTED] and included the important reservation that the clergy still showed no willingness to negotiate. [REDACTED] 16 September 1978) [REDACTED]

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**In this same period, INR's proposed footnote to the draft NIE put the problem more sharply: "The conflict between the liberalization program and the need to limit violent opposition raises serious questions about the Shah's ability to share power and to maintain a steady course in his drive to modernize Iran." (11 September 1978, [REDACTED])*

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18. Little attention was paid to the ability of the radical opposition to create sufficient unrest to make it difficult for the Shah to avoid halting liberalization and establishing a military government, as he eventually did in early November. [REDACTED]

[REDACTED] noted the danger that even if the religious groups reached an agreement with the government, other elements might continue the unrest. "The government would [then] have to face up to continuing disturbances whose forceful repression might involve bloodshed--and thus force the religious leaders back on the warpath to preserve their position with the population." [REDACTED]

19. When NFAC analysts returned to the dilemmas of liberalization in late October, they sounded the same themes they had a month earlier: "The political liberalization [the Shah] once thought would mark the final stage of his labor now seems instead to signal the beginning of a greater task." [REDACTED] "The Shah believes he must demonstrate to moderate opponents and politically aware Iranians that he has abandoned one-man rule and intends to build a liberalized government based on consent. At the same time, his critics must be persuaded that the Shah has no intention of stepping down and that further civil disturbances would serve no useful purpose." (NID 23 October 1978, [REDACTED]) The problem with these statements is not that they are wrong, but that they should have been made earlier and formed the beginning of the analysis, not its end. The question of whether the Shah could survive, let alone prevail, in a relatively free political climate was never addressed. Indeed it was never even posed sharply enough to alert

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others to its importance.* Similarly, the possibility that the Shah's commitment to continued liberalization might either make it harder for him to crack down or indicate a frame of mind which would not turn to repression was not noted. [REDACTED]

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Conclusions and Evaluation

20. It seems in retrospect that had the situation not developed into a crisis in October and November, the attempts to carry out the announced liberalization would have led to the development of greater domestic opposition. For the Shah to have cracked down would have become increasingly difficult and costly; for him to have allowed the process to continue would have undermined his power to rule and even to reign. Even without hindsight the problem was great enough to have called for much more attention and analysis. [REDACTED]

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THE ISSUE OF THE SHAH'S WILLINGNESS TO USE FORCE

1. One of the crucial beliefs that underpinned the optimistic analysis of developments in Iran was the view--from which there were few dissents*--that the Shah would be able to exercise control of the situation. In 1977, [REDACTED] noted that opponents of the regime placed undue faith in student and religious protest because they looked back to relatively successful protests in the early 1960s without realizing that the Shah was now in a much stronger position. [REDACTED]

[REDACTED] The events of most of the next year did not shake this confidence. The Embassy and the analysts thought that if there were a real and immediate danger to the Shah's regime he would clamp down effectively, even though doing so would have been costly. This view was shared by many newsmen--"Most diplomatic observers and dissidents agree that the Shah has more than enough resources to crush any serious challenge to his regime" (William Branigan in the Washington Post, 7 April 1978); "even [the Shah's] political foes agree that he still has the power to crush any major threat to his rule," (An-Nahar Arab Report, 17 April 1978). Even a Marxist opponent of the regime agreed; he argued in a recent book that the Iranian terrorists "underestimate the degree to which the repression and post-1963 boom have placed new weapons in the hands of the regime." (Fred Halliday, Iran: Dictatorship and Development, p. 243).** [REDACTED]

2. As the final draft of the proposed NIE put it: "The government has the ability to use as much force as it needs to control violence, and the chances that the

*Henry Precht, the State Department Country Director for Iran, apparently disagreed. But his views reached the NIO/NESA only in September and were not directly expressed to the other analysts. [REDACTED]

**The inherent plausibility of this view was reinforced in the minds of at least some of the analysts by the analogy to 1963 when the Shah put down protest demonstrations by force.

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recently widespread urban riots will grow out of control is [sic] relatively small. The limiting factors are the Shah's expressed desire to permit some liberalization and the possible fallout abroad from harsh measures. These limitations may encourage further demonstrations, but the threat of the force that the Shah has available if he is pushed too far will deter all but the most virulent opposition." [redacted] This

merely formalized and restated what had been said often over the past year. As early as December 1977 the Embassy said that if student protests continued "we have no doubt the authorities are prepared to reimpose order forcefully."

[redacted] After the Tabriz riots, the Embassy explained that it did not share the gloomy views of the US Consul because "GOI has until now refrained from using full range of social controls." [redacted]

[redacted] the Embassy argued that the Shah "is thus far unwilling to wield a heavy hand unless there is no other way to proceed. This does not mean that he will not or cannot put the lid on again, because he can do so, although he would be faced with even greater problems than in 1963." [redacted]

[redacted] Ten days later it argued that "At some point, the Shah may be forced to repress an outbreak with the iron fist and not the velvet glove if Iran is to retain any order at all. We have no doubt that he will do so if that becomes essential. . . . He is mindful of what vacillation brought Ayub Khan and Bhutto in Pakistan."*

Even the relatively pessimistic draft Interagency Intelligence Memorandum drafted by INR in late September declared: "Possessing a monopoly of coercive force in the country, [the armed and security] forces have the ultimate say about whether the Shah stays in power." (29 Sept., p. 9, [redacted])

3. NFAC analysts took a similar position. On 11 May 1978 the NID concluded that "The Shah is gambling that his program of modernization has enough political support to allow him to take stern measures, if necessary, against the conservative Muslims." [redacted] also repeated

*See section, *The Shah's Position*, pp. 108-114.

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[redacted] On 14 September 1978, NFAC reported that "The Shah is not minimizing the current challenge to his rule in Iran, but he seems determined to weather the storm and to keep a firm hand on the levers of power." (NID, [redacted] [redacted])

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4. Those further removed from day-to-day events shared this assumption. The NIO/NESA and his assistant reported that until well into the crisis they expected the Shah to be willing and able to use as much force as was necessary to re-establish his control. The DCI noted in retrospect: "I persisted, personally, in believing . . . well into October, that the Shah had the horsepower to take care of [the opposition]. At the right time, before it got out of control, [I thought] he would step in with enough power to handle it. . . . " (Los Angeles Times, 17 March 1979) [redacted]

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5. The problem with this line of argument is not that it turned out to be incorrect, but that almost no evidence, short of the most massive and disruptive of protests, could have disconfirmed it. And by the time such protests occurred, they might signal the end of the Shah's regime. The Shah's failure to crack down at one point did not show that he would not use force in the near future. Thus the first nine months of 1978 did not show that the Shah could be forced out, and indeed it is hard to see what events could have shown this, given the basic belief in the Shah's as-yet unused power. Furthermore, this view fed an underestimate of the significance of the protests of the spring and summer, since the corollary to the belief that if matters were really serious the Shah would clamp down was the inference that if the Shah had not clamped down, matters could not be that serious. (Indeed this inference may have supported the belief that liberalization would strengthen, rather than weaken, the regime.) [redacted]

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6. Just because a belief is impervious to a great deal of evidence does not mean that it is wrong. This belief, furthermore, was not only inherently plausible, but had been supported both by the Shah's general history of behavior and his use of force to break up a dissident meeting in November 1977. But if an analyst does hold such a belief,

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special precautions should be taken. Not only should especially strenuous efforts be made to probe whatever evidence is available, but consumers should be alerted to the danger that information that could disprove the belief is not likely to become available until the situation has gravely deteriorated. Furthermore, analysts and consumers who are aware of these problems might reduce the confidence with which they held their belief. No matter how plausible it seemed, the fact that the belief could not be readily disconfirmed provided an inherent limit to confidence that should have been placed in it. [REDACTED]

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Missed Warning Signs

7. There were at least a few signs that the Shah was extremely hesitant to crack down that could have been noted. They stand out only in retrospect and even had the analysts singled them out for attention at the time it would have been impossible to have said exactly how significant they were. But we think that they could have been noted if the analysts had been fully aware that their important belief that the Shah would use force when he needed to was not amenable to much direct evidence. Throughout the crisis, the Shah vacillated and used less force than most people expected. In early November 1977 the Embassy noted that peaceful protests had not incurred the "crackdown expected by many." [REDACTED]

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[REDACTED] At the end of the month the Shah signaled the limits of dissent by sending a goon squad to break up a large, but peaceful, protest meeting. But restrictions were soon put on SAVAK again. Similarly, in the spring the Shah first exercised restraint, then launched "private" violence against the dissident leaders (much to the dismay of US officials), and then halted the campaign even though the unrest did not diminish.

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[redacted] None of this proved that he would not crack down at a later stage, but it could have been seen as a warning sign.* [redacted]

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8. Vacillation not only cast some doubt on the expectation that the Shah would crack down, but may have been an important cause of the growing unrest. On the one hand, the repressive incidents further alienated large segments of Iranian society and probably made people even more skeptical of the Shah's professed desires to liberalize. On the other hand the concessions to the protestors and the restraints on SAVAK weakened one of the main pillars supporting the regime and, more importantly, led people to see the Shah as vulnerable. Finished intelligence noted the Shah's swings from repression to concessions, but did not point out that they might have the effect of greatly increasing the strength of the opposition. Here, as on other subjects discussed elsewhere in this report, NFAC did a better job of reporting events than of analyzing their probable causes and effects. [redacted]

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9. Similarly, tension between the Shah's sustained commitment to liberalization and his ability and will to crack down could have been noted. The two are not completely contradictory since the Shah could have planned on liberalization as his first line of defense and repression as his instrument of last resort, but in many ways the two policies did not sit well together. The Shah's willingness to continue liberalization and indeed speed up its pace in the face of increasing unrest might have thrown doubt on his willingness to use massive force. [redacted]

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10. Another kind of evidence might have disturbed the belief that the Shah would crack down. The analysts knew that it was the policy of the US Government to

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strongly urge the Shah not to resort to repression. This theme appeared at the beginning of the unrest in the fall of 1977 and remained, and indeed was strongest, in late October 1978 even as NFAC analysts were concluding that the Shah's survival was problematical. Throughout the period of this study, the United States had believed it possible and necessary for the Shah to liberalize. In late 1977 and early 1978 this meant a curbing of abuses by the security forces; in the middle of 1978 it meant a continuation of the trend toward more political freedom which it was expected would culminate in free elections; in the fall this meant urging the Shah to view martial law as only a temporary set-back on the road to a more open regime and strongly opposing the imposition of a military government. Although a firm hand with the violent demonstrators might have been compatible with aspects of the liberalization program (and this was often the Embassy's analysis;

1978, [] there was always tension between these two policies [] a tension that increased with the size of the unrest. By the late summer it is hard to see how a crack down widespread enough to have been effective could have co-existed with liberalization. (This view was not universally shared, as can be seen by the reports discussed in White Revolution, above.) []

11. In the earlier periods it could be argued that while the United States was urging restraint, this did not contradict the belief that the Shah would crack down if he needed to because the situation was not that serious and the main danger was that the Shah would overreact. But this was not true in September and October. Although it was still believed that the Shah could survive, his margin was seen as quite thin. If he were ever to crack down, it would have to be now. []

12. Of course it was not the job of the analysts to second-guess the policy-makers. But the knowledge of the policy should have led them to question whether the Shah would crack down. He might not take the American advice. Indeed, analysts may have come to believe over the years that the Shah was not greatly moved by what American ambassadors told him about Iranian domestic affairs, and US representations did not seem to have much impact in the late winter and early spring. But

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given the vehemence of the American position []

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[] the analysts should have noted two things. First, there was strong pressure on the Shah to avoid repression even when the situation became extremely tense. Of course the Shah might crack down anyway. But everyone agreed that the Shah shared the Iranian view that nothing of significance happened in his country that the US was not involved with. The Embassy noted his frequent claims that "some people" thought the United States was behind the protests. The analysts presumably understood that much of the American role in the 1953 coup was to give the Shah courage by stressing how much we supported him. The obvious danger, then, was that the strong American representations would interact with the Shah's distorted outlook and lead him to entertain real doubts as to whether the United States was still wholeheartedly on his side and fear that he would be deserted if he used force.* Second, the Ambassador and the State Department seemed to have a very different view than that held by the NFAC analysts--the former seem to have thought that a crack down would be neither effective nor necessary. The belief that it would not be effective contradicted the basic assumption of NFAC. The belief that it wasn't necessary indicated that NFAC's assumption was irrelevant, because the contingency it assumed would not arise. NFAC analysts could have tried to find out why the State Department disagreed with them and weighed the evidence and arguments that led to a contrary conclusion. []

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Events That Changed Minds

13. Two streams of events finally undermined the belief that the Shah would reassert control if and when he had to. First, the unrest grew to such proportions that

**The ORPA analysts have explained to us that although they did not pay much attention to this aspect of US policy, they would mention this factor in finished intelligence only in the context of reports concerning the Shah's reaction to American pressure. []*

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the analysts came to doubt whether repression would be possible. This did not appear in finished intelligence until November, but it seems to have been developing in people's minds from mid-October, with different people coming to this conclusion at slightly different dates.* For some, the strikes which started in early October and soon spread to the oil workers were most important. Force might be used to scatter demonstrators, but it could not produce oil. For others, the continued unrest throughout the country was at least as important, for it indicated that people would go into the streets in larger numbers, and over a longer period of time, than had been true before and sharply raised the question of whether the amount of force needed might be more than the Army could supply. []

14. The second stream of events contradicted the belief that the Shah would crack down. We have discussed this at greater length in our treatment of NFAC's analysis of the Shah's changing moods, but here should note that for some analysts, events were taken as showing that the Shah lacked the will to use what power he had. In early October the Shah was giving in to almost all the economic demands of the various striking groups and later martial law was being widely disregarded. For these analysts the crucial evidence came in a bit before that which showed that they could not reassert control even if he tried, but this still was relatively late. []

**On 11 September 1978 INR submitted a footnote to the draft NIE which said in part: "We are dubious that the Shah, in the near term, can suppress urban violence without substantial use of force. That, in turn, would further aggravate his difficulties by enlarging the circle of opposition against him and possibly calling into question the loyalty of the armed forces and security services."*

[] But this position does not seem to have been stressed or developed, at least not in material which reached NFAC. []

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[redacted]
For unless something in the Shah's past behavior told them that he would not be firm and decisive, they had to await direct evidence of a failure of will in his handling of the current crisis. [redacted]

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[redacted] Analysts who started with the view that the Shah was weak, on the other hand, did not need the direct evidence of his unwillingness to move against the strikes and protests of October to conclude that he would not meet the test. The NIO remembers a meeting at which the State Department desk officer said: "you've got to remember, the Shah is a coward. He ran away in 1953."* This, the NIO reports, was an unusual perception, and once he was convinced of its validity he no longer expected the Shah to survive. But if one started from the more common perception of the Shah as all the CIA analysts did, one could not be expected to change one's mind until sometime in October. [redacted]

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[redacted]

**This statement is pithy but probably not accurate. In retrospect it appears more likely that the Shah's fundamental lack of self-confidence, noted in several NFAC papers, came to the surface again. [redacted]*

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Conclusions and Evaluation

17. In conclusion, while the belief that the Shah would reassert control if he had to was certainly plausible, at least until the fall of 1978, NFAC did not do as good a job as it could have in carefully analyzing the evidence or in alerting consumers to the fact that clearly disconfirming information would not arrive in time to give them warning that the Shah was in deep trouble. NFAC produced no papers which dealt with this question. While

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the Shah's moods were commented on, the possible implications for his deciding to use force were not drawn. The Shah's swings from leniency to repression and back again were not probed for patterns and clues to the future. Although much attention was given to whether the Shah could use force (e.g., the analyses of the army's morale), little was said about his willingness to do so. NFAC did not explore either the impact of US policy, which may have been magnified by the Shah's exaggeration of American power, or the apparent discrepancy between NFAC's analysis and that of the State Department and Embassy. []

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18. We think the primary explanation for these failings was two-fold. First, the belief was shared by all NFAC analysts (at least until the early fall), was very plausible, fitted with the pre-existing view of the Shah, and so became an article of faith. Most observers outside the government also shared this view and even in retrospect it is hard to say why he did not crack down. The incentives to challenge this belief were slight. Second, it did not need to figure in the reporting or analysis of most day-to-day events. When the Shah cracked down it would be news; until then the possibility still remained open. Only when the unrest grew to enormous proportions did his restraint seem important in explaining what was happening. So the analysts' main task of dealing with the latest events did not make them look more carefully at this crucial belief. []

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SPLITS IN THE OPPOSITION

1. Another crucial belief was that the opposition would split. Before examining the evidence that was available and the inferences that were drawn, we should note that this belief was subject to the same problem as the expectation that the Shah would exercise control if things got really serious--i.e., definitive negative evidence could not appear until the Shah was on his last legs. At any previous point all that could be known was that the split had not yet occurred. Given the obvious tensions within the opposition, one could never be sure that it would continue to hold together. Indeed, expectations of such a bargain were very high in the last days of October. The point is not that these beliefs were silly or automatically wrong. Even in retrospect, we cannot tell how close the opposition came to splitting. But NFAC should have realized that the belief that a split was possible was not easily disconfirmable and alerted the consumers to the problem. ☐

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2. Furthermore, the belief that the opposition would split did not sit too well with the companion belief that the Shah could clamp down when he needed to. Granted that one reason the moderates might split from the more extreme opposition was fear that if they did not strike a bargain with the Shah, he would resort to force (this was noted in several of October's cables), but in other ways the two beliefs pulled in different directions. Repression would presumably unite the opposition and the longer the Shah waited for the opposition to split, the harder it would be for him to repress because the unrest was growing stronger. If the Shah were torn between these two possible solutions, he might well end up with the worst of both worlds. While one could believe that the Shah would first try to split the opposition and then crack down if he could not do so, this assumes that the failure would become obvious before the Shah lost too much power or nerve. ☐

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3. The belief that the opposition would split was widespread throughout the period under consideration. ☐

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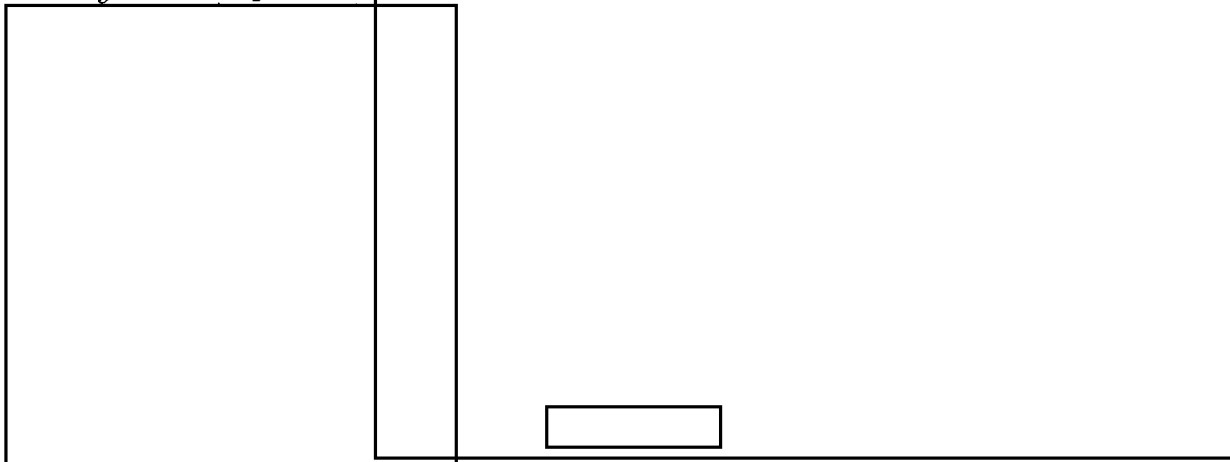
Conclusions and Evaluation

25. We do not think this issue was treated well in the finished intelligence. At best it summarized the reports from the field and did so--to its credit--often with a slightly pessimistic tone. But until mid-September it did not even do this very well. As early as May the belief that the Shah could split the opposition was one of the main pillars supporting the conclusion that he could weather the storm. Yet NFAC finished intelligence said almost nothing about this until September. The Embassy cable of 17 August which questions the ability of the moderates to break with Khomeini did not make its way into finished intelligence.

26. In the spring this subject received little attention because the analysts concentrated on explaining the general causes of the unrest, reporting the disturbances as they occurred, and discussing the danger that the Shah might use excessive brutality in an "overreaction." Furthermore, no finished political intelligence was produced in July, although work continued on the proposed NIE. To the extent that relations among opposition groups seemed important, analysts drew attention to the improbable "alliance of convenience" between the moderate left (National Front) and the religious right.

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27. After late August finished intelligence not only summarized the latest reports, but was more pessimistic and more accurate than most other observers. Nevertheless, problems remained. The articles left important parts of their messages implicit. They did not point out that much of their

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reasoning undercut the common optimistic assessments, conclude that an agreement between the government and the clergy was unlikely, or point out that the Shah might soon face the choice of repression or abdication. This was, perhaps, a matter of style and norms--analysts have been conditioned over the years to keep as close as possible to the facts rather than draw out the implications which consumers can do for themselves. Furthermore, the analysts were aware of the relatively optimistic reports from the field and understandably felt restrained by the possibility that the field was correct. NFAC products can be faulted for not clarifying the lines of argument, noting any inconsistencies, or pulling together the existing evidence (which here, as on so many other points, was not extensive). The issues were not posed sharply enough or treated in sufficient depth. It did not take hindsight to see that what was crucial was both the desires and the independence of the moderates. Neither point was singled out for special attention. For example, the reports that the moderates had responded to the Shah's concessions by making greater demands were noted, but their significance was not probed.

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This is not to say that the evidence was so overwhelming that the analysts should have automatically accepted it. But there should have been a probing of the reports that the moderates could not move on their own and a discussion of why and under what conditions the moderates might break with Khomeini and whether they could maintain their power if they did.

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28. Furthermore, there was no analysis to support the implicit assumption that if the moderates did break with the extremists, the latter would not be willing and able to continue violent protests, thus probably making the government

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THE RELIGIOUS OPPOSITION

1. It is ironic that a misreading of the appeal of the religious opposition was one of the major problems with NFAC's analysis. The person who placed the greatest stress on the importance of the religious groups was NFAC's senior Iranian political analyst. He had an extensive knowledge of Islam, had included analysis of the influence of religion and religious leaders in his writings, and consistently called for more information.

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Information Available

2. Despite these efforts, the amounts of information available to NFAC on the religious establishment was slight. Non-governmental experts who may have had information were not sought out by NFAC (and it is not certain that these people would have responded). More importantly, until late summer 1978, the field paid little attention to this subject; nor had it for many years. Thus, although it was known that Khomeini was one of the most important opposition religious leaders until February 1978 the US did not know that his son had died the previous October [redacted]

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[redacted] and not until May that he blamed the regime for the death (Manchester Guardian, 21 May 1978), and that he had decided to make his opposition more strident and urgent. Only after the Shah fell was it reported (in public sources) that the Shah had heavily cut the subsidies to the religious groups. Similarly, it was 2 1/2 weeks before field

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reporting attributed the Qom riots to a newspaper attack on Khomeini, published at the instance of the GOI.* [REDACTED]

3. NFAC had a pretty clear idea of what it knew and where data was lacking--specifically information on the relative influence of the religious leaders. (See



4. It can also be argued that Khomeini had achieved a position of dominance over his fellow ayatollahs long before 1978. This has been asserted in one scholarly article published in 1972** and is suggested in an Embassy Airgram as far back as 1963 [REDACTED]

**The first Embassy report, apparently derived from the official news agency, said that the "incident occurred on anniversary of land reform legislation passed in 1963."*

[REDACTED] A week later the Embassy said the occasion had been the "anniversary of banning of veil." [REDACTED]

Even when the Embassy received a copy of the newspaper article, it did not know enough about the context to properly appreciate the depth of the insults that it contained. [REDACTED]

[REDACTED] The Washington Post story on 11 January 1978 reported the cause accurately. [REDACTED]

***Hamid Algar "The Oppositional Role of the Ulama in Twentieth-Century Iran," in N. Keddie, Scholars, Saints, and Sufis (U. of California Press, 1978).*

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before Khomeini was exiled. But information about him and about religion in general, virtually ceased from the mid-1960s on.* Analysts had no way, given the paucity of data, to estimate the amount of his support relative to other religious leaders. Khomeini was mentioned in the field reporting no more often than his fellow ayatollah, Shariat-Madari. A number of scholars believed that Khomeini was politically the most important of the religious leaders; we have not tried to determine whether their belief was supported by significant evidence that academics, but not NFAC, had. []

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5. The field reported little about the articulated beliefs of the religious protesters. NFAC analysts had little to rely on in trying to determine the strength of religious protest; there was no data that indicated the extent to which tapes and pamphlets containing Khomeini's speeches were circulating in Iran. Analysts didn't have any information on what religious leaders were saying to their congregations. One of the cassettes Khomeini sent into Iran was obtained and transcribed, and a few of the opposition leaflets were translated, but this was not nearly enough to provide a full picture of what Khomeini and other religious leaders were advocating. Of course such information would not have told us how the leaders would behave or how many people would follow them, but without it it was even more difficult to understand the motives, beliefs, and values of these people. This was especially important because, as we noted earlier, the religious movement was inherently difficult for Western observers to understand. []

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6. Similarly, although the field had noted the growth of the religious opposition long before the riots occurred []

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[] the information it provided was not detailed. Occasionally, an observation such as "we have heard . . . that religious leaders in Qom have been coordinating much religious dissident activity by messenger and telephone" [] appears in the []

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politics. In part this grew out of an optimistic view of modernization, discussed in a later section of this report, and in part was probably the product of the general Western secular bias. Even those outside the government who saw the Shah as weaker than NFAC analysts did not believe that the religious groups would be instrumental in bringing him down.* [REDACTED]

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Underestimated Factors

8. In retrospect, we can identify four elements in the religious-based opposition movement that contributed to its appeal to a wide range of the public and that were not well covered in finished intelligence.

These were:

- a) attacks on the Shah for the way he was changing Iran: ignoring the mullahs, flouting many Islamic customs, denying important parts of Iran's past, and aiding the rich more than the poor;
- b) nationalism, i.e., attacks on the Shah for being a foreign (US) puppet;
- c) the "populist" tradition of Shi'ism whereby religious leaders gain and retain their authority by becoming recognized by followers as men of wisdom and piety, a circumstance that encourages them to articulate the desires of their people;

**For example James Bill, "Monarchy in Crisis," a paper done for a State Department seminar on 10 March 1978, forecast serious trouble for the Shah, but did not mention religion. And two books completed in 1978, Robert Graham, Iran: The Illusion of Power and Fred Halliday, Iran, Dictatorship and Development, each give religious opposition no more than two pages.* [REDACTED]

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- d) the traditional role of the Shi'ite clergy as spokesmen for political protests. []

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9. Attacks on the Shah for the way he was "modernizing" appealed to a wide segment of the population. This element was described in the analysis as deriving from the view of religious leaders that modernization was undermining the hold of Islam on the people. In fact, it was more directed at how he was changing Iran. Under the Shah, and especially since the start of the "oil boom" in 1973, the income gap had increased significantly; the quality of life in Tehran had deteriorated; corruption and government favors had boosted the power and income of new groups as opposed to small merchants and bazaaris. (For a further discussion, see pp. 53-56). How much the failure to make this distinction stems from institutional pressures to use short-hand terms (see pp. 31-32) and how much from the analysts not understanding it is unclear.

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10. This view of the religious leaders played a large role in the belief that the Shah could weather the storm since it was felt that many important sectors of society found their views repellent. Under this belief, even those who, like the students and the National Front, opposed the Shah would find it difficult to join with Khomeini because they differed so much in their basic political orientation. In fact, Iranians could favor modernization and still strongly oppose the Shah, as many of Khomeini's followers did. Students and many members of the middle class, without endorsing all that he stood for, could find important elements in common with Khomeini. Shared opposition to the perceived gains of the newly-rich and the impoverishment of the lower ranks of society formed an important common bond between Khomeini and the political left and between Khomeini and a wider constituency. (This was noted by Professor Richard Cottam in a letter to the editor of the Washington Post on 3 October 1978 and mentioned by the Embassy []

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[] Given the prevailing view and paucity of data, it is not surprising that even after the Embassy had mentioned that the Qom riots had been sparked by a newspaper attack on Khomeini, finished intelligence continued

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to report that the demonstrators had been "protesting against the 1963 land reform and the 1936 ban of the veil" [redacted] or, more generally, "against the Shah's modernization program."

[redacted]

11. Although we think the view presented here has been borne out by hindsight--and indeed partly derived from it--there is still room for disagreement. We do not fault the analysts for not having accepted this view at the time when the evidence was even more ambiguous. But we do think they should have indicated the existence of an alternative perception of what the religious leaders stood for. Even Khomeini and his followers were not claiming to be totally opposed to modernization and, while their statements need not have been accepted at face value, they at least showed what this group thought was popular and, more importantly, believed by large numbers of Iranians. Khomeini had for fifteen years centered his attacks on the Pahlavi dynasty and its evil ways. If this view was widely believed, the analysts' stress on the religious opposition as anti-modern greatly exaggerated the degree to which it would be cut off from the wider society. [redacted]

12. The second element is the possible role of nationalism.* This factor is not mentioned in any of the official reporting or NFAC analysis and only received occasional mention in the mass media. It could be that this was not a motivating force. But we suspect otherwise. Some of the slogans painted on walls called for the death of the "American Shah." A leaflet distributed during the Tabriz riots spoke of the "anti-Islamic regime of the Shah and the usurping American overlords."

[redacted] [redacted]
Khomeini's recorded speeches which circulated in Iran strongly attacked the United States in nationalist terms. The text of the one NFAC had said: "The Americans . . . have helped impose upon the Iranian people a ruler who . . . has turned Iran into an official colony of the United States." In ridiculing the Shah's claim that he

[redacted]

[redacted]

[redacted]

[redacted]

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had brought Iran "into the ranks of the most advanced industrial countries" by saying: "In large areas of the capital people live in hovels and dungeons and have to go a long way to get a bucket of water from some public tap. People know that Iran is a potentially rich country with a huge variety of natural resources. But they see that foreigners have installed an agent at the top of the government to make sure that this wealth does not go to the poor masses. [REDACTED]

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13. The American role in the 1953 coup was known--probably in an exaggerated version--by all Iranians, and American support for the regime has been prominent, especially in the past several years. The Embassy frequently pointed out that all circles in Iran saw an American hand in everything that happened. Supporters and opponents of the regime alike greatly exaggerated US influence. Thus it is reasonable to believe that a wide segment of the populace saw the Shah as an American puppet. To many, he was not only a despised leader, but a foreign one. This handicap was compounded by the process of rapid social mobilization which almost inevitably increases nationalism. We think it likely that Khomeini was seen as a nationalist leader. He frequently criticized the United States and repeatedly called for a greatly reduced role of foreigners in Iran.* [REDACTED]

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14. If this argument is correct, it would account for a good deal of the support Khomeini received from the secular parts of Iranian society. Of course we cannot be sure we are correct, but the complete absence of any mention of nationalism in NFAC analysis still strikes us as unfortunate. While the analysts knew that everyone in Iran believed that the United States was largely responsible for most events in that country, neither this fact nor the implications of it were discussed in 1978's finished intelligence. Part of the explanation may be the understandable hesitancy to engage in discussion which would have had to have been speculative. Second, nationalism was associated in the analysts' minds with terrorist attacks on Americans, which were rare until October 1978. Third,

**Much data on Khomeini's anti-foreign statements became available in late 1978; very little appears in official or other reporting prior to, say, November. [REDACTED]*

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the analysts knew that the United States did not in fact dominate Iran and that the Shah was very much his own man. It was hard to empathize with people who had what most Americans felt was a distorted view of the world. [REDACTED]

15. The third element involves the sparse comment on the "populist" tradition of Shi'ism, growing in part out of the fact that the Shi'ites do not have a recognized hierarchy within the sect. Instead of being appointed by a superior, mullahs and ayatollahs gain their authority by becoming recognized by followers as men of wisdom and piety. This encourages current and aspiring leaders to articulate what they think are the grievances and desires of their people. It gives them incentives to be in the forefront of popular movements. (The Embassy noted this on 17 August: "In Shia Islam there is no institutionalized hierarchy: a religious leader attains his prominence by consensus within his parish. Some of the violence we are witnessing here results from a fervid competition for eminence by the Ayatollahs; moderation apparently does not beget followers from the workers, small shop keepers and artisans at this time." [REDACTED] Obviously they will not always lead, especially if these movements conflict with their basic values and interests. But these incentives mean that there is a greater chance that the religious leaders will try to articulate popular demands. Furthermore, the fact that this has often occurred in the past means that large segments of the population--even those who are not deeply religious--look to the religious leaders to play this role. [REDACTED]

16. The propensity for religious leaders to act as spokesmen for wider groups and to voice general political concerns was reinforced by the Shah's suppression of most other forms of opposition. Given the support they had from their committed followers, the religious leaders could speak out more freely than others because they knew it would have been very costly for the Shah to silence them. They became salient rallying points. People would follow them because they were the only identifiable source of opposition and they gained strength as they became the symbol for opposition. (This was noted by Ambassador Robert Neumann in his comments on the draft NIE (S, p. 6)). It seems to have been the case that many people who disagreed with Khomeini on many points joined his movement because it was the only vehicle for trying to bring down the government. The NID pointed to this phenomenon in the spring when

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it said: "The politicized clergy, who oppose the Shah on religious grounds, have been able to exploit other popular grievances--inflation, poor housing, and the inadequate distribution of basic commodities--that are chronic problems in urban working class areas." [REDACTED]

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Although the separation of political and secular grounds may be a bit artificial, the basic point was important. Unfortunately, this perspective did not reappear in finished intelligence. [REDACTED]

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17. The fourth element that could feed the power of the religious-based opposition received more attention from the analysts, although here there was a problem of emphasis and follow-up. As the analysts noted, for the Shi'ites "every government is illegitimate" [REDACTED]

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[REDACTED] and there is a fusion between what Western thought would call the secular and the religious realms. For the Shi'ites, it was perfectly natural for the clergy to become the spokesmen for political protests, and indeed they would hardly recognize the line between politics and religion that is so clear to us. In the most thorough discussion of the religious-based opposition that NFAC produced, the leading analyst made the following point: "Since religious, social, political, and economic affairs are considered inseparable, the mujtahed [religious scholar] can dispense guidance on political matters and oppose the will of the state, becoming a leader of the opposition." [REDACTED] Unfortunately this theme, and others in the paper on the religious-based opposition, were not elaborated or built on in the spring and summer. If the consumers had been fully aware of the Shi'ite tradition, stress and elaboration would not have been necessary. But given the problems for non-experts in understanding [REDACTED] was dealing with, a fuller treatment was called for. These factors were not mentioned in most papers--perhaps because they do not change and the analysts assume the consumers remember them--and did not appear in the NIE that was being drafted in the summer of 1978. [REDACTED]

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THE SHAH'S POSITION AND HOW IT WAS PERCEIVED

1. In the course of 1978 a number of reports on the Shah's mood as events unfolded in his country were received.

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25X1 [redacted] some reflected how
Iranians saw the Shah and interpreted his behavior. In retrospect they assume considerable importance, because, when removed from the background noise of other voluminous data, they begin to show a pattern. [redacted]

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Reports From the Field

-- The Economist of 4 March 1978 in a generally good article said that foreigners were reporting that the Shah was troubled and disillusioned by events.

-- Ambassador Sullivan [redacted] reported that in a conversation the Shah had seemed "tired and depressed, almost listless." He had considered that perhaps something was wrong with his system and his game plan. The Ambassador noted that this was the first occasion in the ten months he had been there that he had seen the Shah in such a mood, but he stressed that he found it striking.

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-- In mid-May, just after some very serious demonstrations the Shah held a meeting with representatives of the Iranian media. In commenting on this and other events [redacted] said that "People, including many in the establishment, are trying to figure out exactly what GOI policy is toward demonstrators." [redacted] reported that people are concerned by what is seen as the Shah's display of "indecisiveness, nervousness and imprecision" in the way he conducted the above-mentioned interview. The normal conclusion that many Iranians draw is that "he is losing his touch." The Embassy noted that some of the Shah's imprecision derived from his efforts to follow an unfamiliar policy--liberalization--and that he gets insufficient feedback to be aware that this is the image he is projecting. [redacted] recalls that the Shah had given the same sort of impression to the press when he announced the formation of the Resurgence Party in 1975.)

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-- Many of those in the establishment found that the Shah was not sending a consistent signal as to whether they should take a hard or soft line.

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-- The Embassy reported [redacted] [redacted] that the Shah had told the Ambassador that he felt he had no choice but to continue liberalization. The latter noted that the Shah appeared to be over his earlier indecision.

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-- US News and World Report of 7 August 1978 in an article which was generally bullish on the Shah's prospects but acknowledged problems of lack of business confidence and flight of money abroad also said that his "experiment with democracy. . . worries many Iranians."

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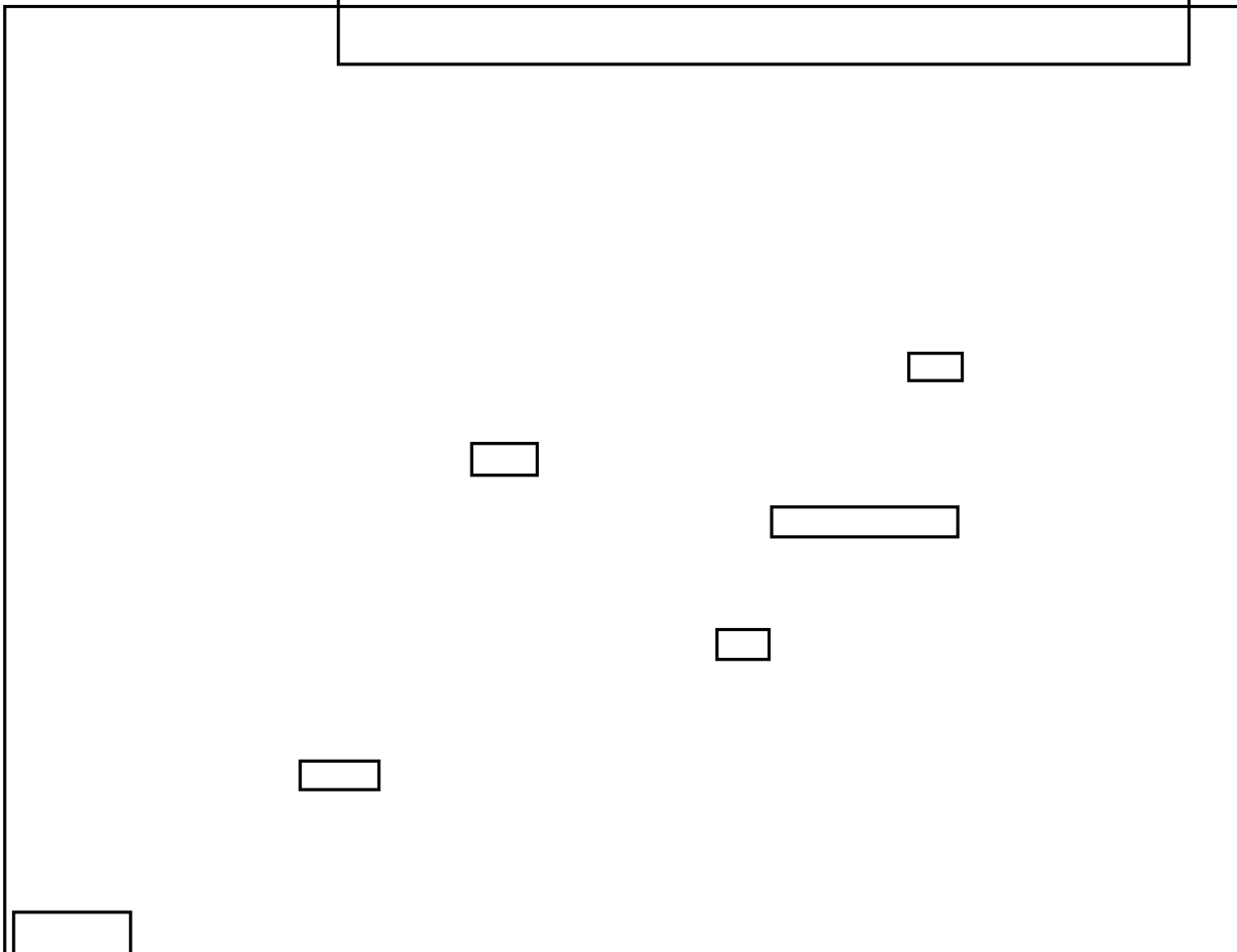
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INTENSITY OF ANTI-SHAH FEELING

1. Judging the breadth and depth of sentiment supporting and opposing the Shah was extremely difficult. In the period we are concerned with, almost no direct information was available.*

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2. First, the analysts could have commented on the government's unsuccessful attempts to stage pro-Shah rallies (see the Washington Post, 20 August 1978). As early as 27

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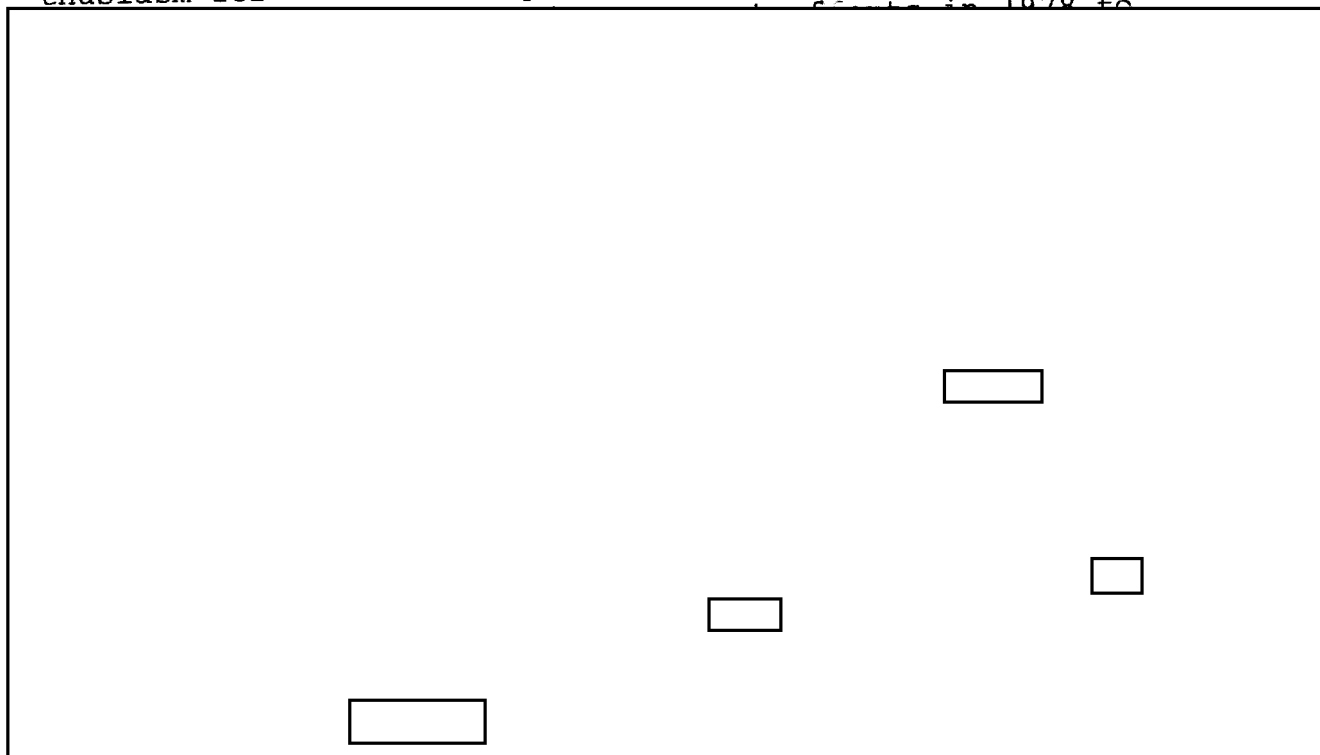
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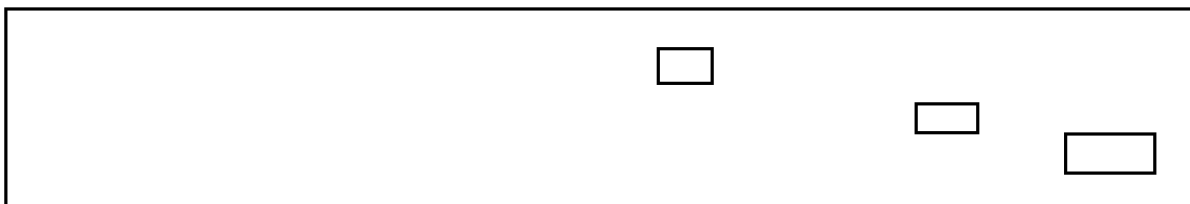
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December 1977, the Embassy recognized that "there is a concerted effort to get out the 'silent majority' with the assistance of the Rastakhiz party militants so that government and party workers, professors, students, parents and other identifiable groups may be led into positive demonstrations and other shows of loyalty to overwhelm the dissenters. . . ."

[REDACTED] This could have alerted the Embassy and analysts to the utility of tracing the fate of these attempts since they were seen as important to the GOI and presumably would be pursued with some energy. It is our understanding that over the years Iranians had shown no great enthusiasm for demonstrating in support of the government.



3. In retrospect, the intensity of reeling in the opposition can be seen as one of the critical factors in the overthrow of the regime. At the time it should have been



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seen that intensity would be important because it would play a large role in determining how people would react to the Shah's attempts to maintain order. If people were not willing to run considerable risks of being shot, the demonstrations could be put down with an amount of force that was easily within the regime's capabilities. If fairly large numbers were willing to sacrifice themselves, on the other hand, the Army would be forced to engage in quite extensive killing and, as many reports and papers noted, this could severely strain morale, perhaps to the point where it could not be relied on. Unfortunately, the intensity question was rarely addressed. A consultant,

[REDACTED] made a passing reference to it in his comments (p. 9 [REDACTED]) on the 21 July 1978 draft of the proposed NIE, but that was about all. [REDACTED]

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4. Two other categories of events might have yielded information on the strength of the opposition to the government. First, the frequent and lengthy closures of the bazaars could have been more closely monitored in NFAC. Even if many merchants were coerced into closing their shops (this was asserted by the Embassy and certainly is plausible, although little evidence was produced to substantiate the claim), the closures were a warning sign. They showed that the opponents of the regime had quite a bit of power and the regime was either unwilling or unable to thwart them. Assuming that keeping the bazaars closed was an important part of the protest movement and that the Iranian Government for this reason if for no other wanted to keep them open, the government's failure was noteworthy. If the closures were a genuine gesture of support for the opposition and if the bazaaris were paying a price for their actions, this was an indication of the intensity of feeling involved. Furthermore, if those inconvenienced by the closing did not blame the protesters--there were no signs that they did--this was an indication of the degree to which at least potential support for the opposition was widespread.

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**On 11 May the NID did mention that "Before this year, the bazaars had not been closed in over a decade," [REDACTED] but this indicator was not mentioned again. [REDACTED]*

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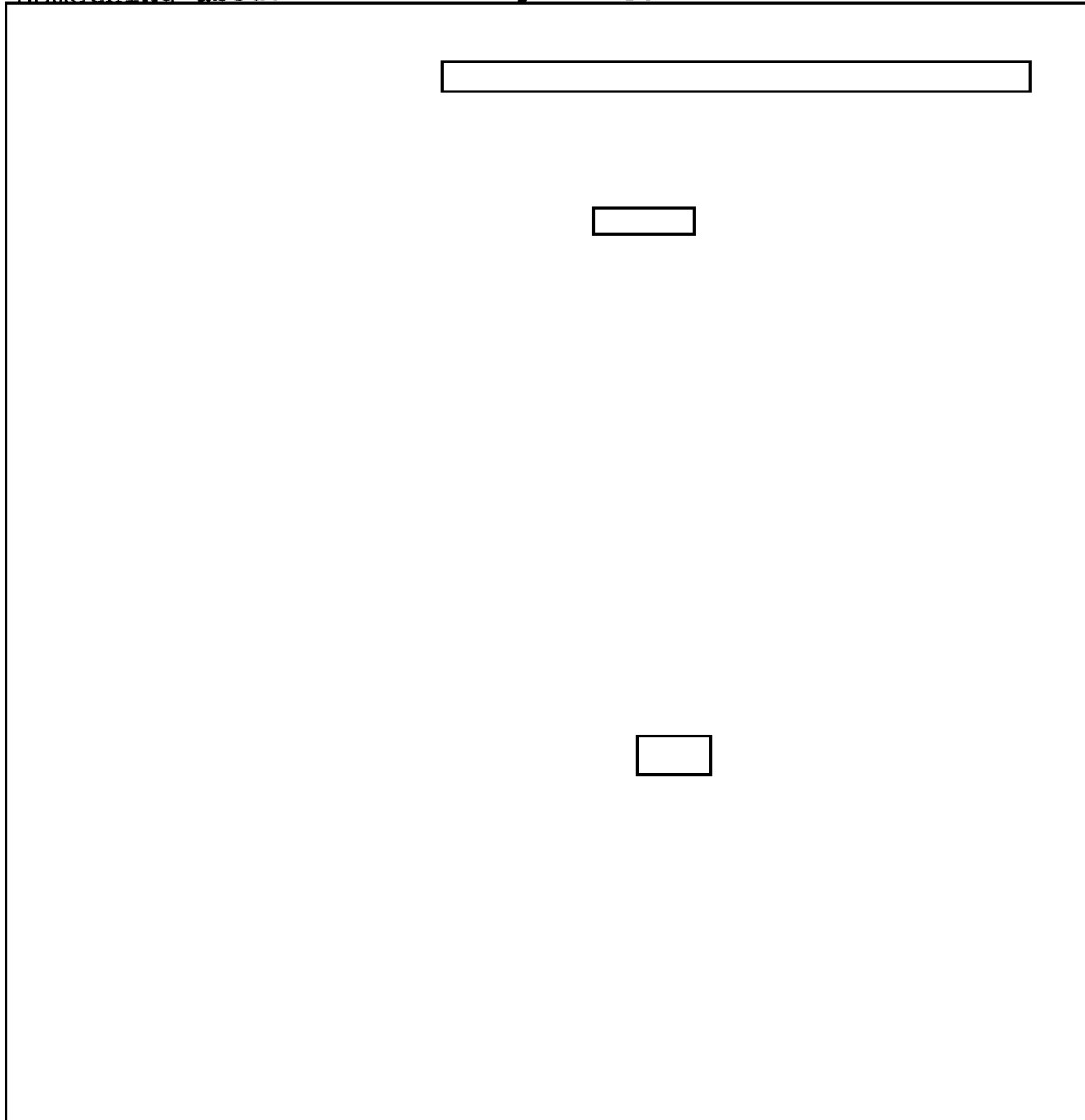
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5. Second, even if the field could not talk to any demonstrators and thereby provide some information on their motives and strength of commitment, the very fact of repeated protests with significant casualties told us something about the intensity of opposition to the Shah.

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IRAN'S DOMESTIC ECONOMIC SITUATION 1977-1978

1. Because the Shah's full-steam-ahead development program and its consequences of inflation, corruption, unequal income distribution, social dislocation and the like clearly affected the domestic political climate we think that some treatment of intelligence production on Iranian domestic economic matters is called for. We survey that production in this section, discuss how it was related to political intelligence, and also treat the matter of joint political-economic analysis.* One should note here that

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2. The volume of finished intelligence on Iran's domestic economic situation was not large. 1977 had three items. The first, responding to a request from State/INR, analyzed the impact of Iran's projected defense spending. The memorandum ([redacted]) judged that while Iran could afford to spend the \$10 billion it planned to on military equipment, defense spending at that level would have an adverse effect on the economy, because it would siphon off skilled and semi-skilled manpower, and that military spending was already helping to boost inflation.

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"Although Iran can financially afford the military program, the economy is by no means ready for it. Most of its current economic problems would be far less severe without a mammoth military effort. Military demands for construction--estimated at \$2.2



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billion in 1976--aggravate material and manpower shortages elsewhere in the economy. Military imports, which share top priority with foodstuffs in port off-loading, have added considerably to port and road congestion. And, the boom in military spending certainly has been a major factor in the current 20% rate of inflation."

The paper concluded that "the economic impact of the defense program is not likely to pose serious political problems for the Shah." [REDACTED]

3. Iran in the 1980s contains two sections on the economy. The one on agriculture judged that agricultural performance was the key element in Iran's future development and that "the country must be able to feed its population with minimum reliance on expensive imports or that other elements of the Shah's development program . . . [would be] meaningless." Describing both the success and the extensive deficiencies of the land reform program, the section ends with the following judgment:

"In sum, the planned agricultural development, which has been under the same sort of forced draft as the more spectacular industrial development, is lagging. The problems are likely to continue for a long period of time and become more urgent as Iran finds it necessary to import more and increasingly expensive food. The pressure for agricultural production will rise, and tension between the bureaucracy and the farmers is likely to mount."

A second section on the economy in general describes planned development in reasonably optimistic terms. It notes some problems but does not highlight them as extensive and judges that Iran "will probably come close to the Shah's goal of a per capita GNP equal to that of Western Europe by the 1980s" although there will be a serious maldistribution of income. In sum, this economic section is descriptive rather than analytical and what little analysis there is is not particularly incisive.

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(This paper was an early effort to carry out integrated political-economic analysis; it was not a success in that regard, a fact for which one of the authors of this report [] bears some responsibility.) []

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4. In September 1977, replying to a request from the Chairman of the Council of Economic Advisers, OER assessed Iran's economic development policy. []

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[] The paper noted a series of pronouncements accompanying the appointment of a new cabinet under Prime Minister Amuzegar that the Shah was being forced to abandon his "go for broke" development policy, that the regime was adopting a policy of growth which the economy can digest, that project schedules would be stretched out and that efforts would be made control to inflation. The paper estimated that two billion dollars in private capital had fled Iran in the 16 months up to the end of 1976. It noted that by the end of the Five-Year Plan in March 1978 operating expenditures and defense spending would be far over planned levels and development spending would be well under that projected in the Five-Year Plan. The paper judged that implementation of the new program would give the Iranian economy the pause that it needed, and that a stretched out development program would be "more in step with an expected slow growth in oil production and the difficulties in increasing the pool of skilled labor." []

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5. From then until early summer of 1978 economic coverage on Iran focused on the international economic aspects and on petroleum and related matters. The latter

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[] situation, noting the problems deriving from a foreign exchange outflow which was estimated to be running at two to three billion dollars a year in 1975-77. It also described the problems of inflation, transportation bottlenecks, and the like brought on by trying to do too much too soon and the great slowdown in growth in

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1977. It took special note that Iran, which has been self-sufficient in food in the late 1960s, was now only 75 percent self-sufficient and that this could drop as low as 50 percent by 1985 if observed trends continued. In later drafts of the estimates this was raised to 60 percent. [REDACTED]

7. The contribution noted that "most Iranians have gained little from the oil and construction booms," that the Iranian emphasis on military spending and on large industrial and nuclear energy projects would leave little in the way of "funding for programs directly beneficial to the Iranian consumer in the next several years" and that the government's efforts would "likely be confined to necessary food imports and to price subsidies, . . . [which were] costing an estimated \$1 billion annually." All valid points, but not further explored in the prospective NIE. [REDACTED]

8. [REDACTED] assessed the economic program announced by the newly appointed Sharif-Emami. It judged that the cabinet change was not likely to convince either the Iran consumer or investor that the economy was going to improve. It judged that "solutions to Iran's deep-seated economic problems, . . . will require more than a new management team." [REDACTED]

9. As the dimensions of the Iranian crisis began to become apparent, economic intelligence production grew in volume. September brought three publications bearing on Iran's economic situation. [REDACTED]

[REDACTED] was a respectable wrap-up of Iranian agriculture. It judged that the land reform has accomplished most of the regime's political goals: "the majority of peasants now own the land they farm and the once-powerful absentee land owners have lost their political base." "The effects of the land reform on economic and social development were positive, though not spectacular." It went on to note that agriculture had been "the stepchild of the government's development efforts." Despite lip-service of food self-sufficiency, food imports were four times what they had been in 1973 and were costing about two billion dollars annually. [REDACTED]

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10. "Iran: New Government Maintains Low Economic Profile" [] is a good description of Iran's economic problems especially as they faced the new government. It noted that unhappiness with the "Shah's development priorities has added to political and religious unrest" and judged that the need to placate certain elements of society might lead to shifts in government policy away from industrial and nuclear development and toward the agricultural sector. The main message of this paper was repeated in the NID of 18 September. []

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11. Iran's problems is feeding itself already flagged in the contribution to the NIE and in the unclassified memorandum of 5 September were discussed at some length in "Iran: Massive Rise in Food Import Needs." (EIWR 78-038, 21 September 1978, []) It noted that food imports running at \$2 billion a year and expected to rise at a 15 to 17 percent rate annually, could easily triple by 1985 to more than \$6 billion at today's exchange rates. It concluded:

"Given a food import bill of this magnitude in the early-to-mid 1980s, the Shah may be forced into some difficult decisions concerning import priorities. Unless oil prices rise substantially, declining oil export volume will produce a sizeable current account deficit by 1981. At that time, the Shah may be required to moderate either politically sensitive food imports or imports of capital/military goods to avoid a quick rundown in foreign assets, which now total about \$18 billion."

The main messages of this item were repeated in the NID 14 October. []

12. Coverage in current intelligence publications during the fall dealt primarily with cuts in oil production and strikes in the oil fields. The industry began to be hit in late September but had little immediate impact because supervisory personnel could keep facilities operating. (NID, 29 September 1978, []) The government responded to strikes in many sectors by granting most strikers' demands; it saw "the hand of the Shah's religious and political opposition acting behind the scenes to manipulate workers'

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25X1 economic grievances into mass political protest." (NID, 7 October 1978, [REDACTED]) A few days later a political-economic article (NID, 14 October 1978, [REDACTED]) reported that "the Iranian Government is being forced to reorder its economic priorities in light of continuing political unrest. It put a finger on the limited effects of this priority shift:

"Although a high-level decision apparently has been made to free military and nuclear program funds for rural development, infrastructure, and social welfare projects, most of the cutbacks will not impact on the current or next year's budget. The government will have to find other means to cover increased payments to public sector workers.

"Government capitulation to substantial wage and benefit demands is settling widespread strikes in government and industry. The effect on the economy cannot be determined, but renewed inflation seems almost certain." [REDACTED]

25X1 13. A series of items reported the growing difficulties in the oil fields, with production dropping to a fourth of normal by the end of October. (NID, 31 October 1978, [REDACTED]) The NID on the day following the Shah's appointment of a military government noted that "a major test of the new government's effectiveness will be its ability to convince strikers to return to work. In the vital oil industry, the strike has widened to include support workers." [REDACTED]

14. EIWR 045 of 9 November wrapped up the Iranian economic situation as being in upheaval, the effects of which would be felt for years. It noted that capital flight, although not subject to accurate measurement, had been generally estimated at three to five billion since the beginning of 1978 and that once a measure of political stability was established government would find it very complex and pressing problems to get the economy back on the tracks. [REDACTED]

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Conclusions and Evaluation

15. The record indicates that Iran's domestic economic situation received relatively little attention in finished intelligence until mid-1978. It is clear that political protest grew in some part out of societal dislocation caused by a development program, and we think it not unfair to suggest that managers and analysts should have been alert to the interaction between the two. While some of the publications mentioned do refer to the political implications of economic problems, there does not seem to have been much effort put into integrating political and economic analysis. For example, no attention was paid to the political consequences of the policy of the Amuzegar government to cool off the economy, thus increasing unemployment. We recognize that there is a lack of political economy in this organization. It is not unlike university campuses where different disciplines are carried out by different departments. We are aware that management now recognizes this as a problem and that solutions to it are being pursued. They are not easy to come by, but in our view the lack of some systematic method of relating politics to economics (both terms used in the broadest sense) helped to prevent NFAC from appreciating the political consequences of socio-economic problems in Iran. As we noted above, maldistribution of wealth, inflation, and accompanying strains were among the elements which caused ordinary Iranians to demonstrate and riot against the Shah.

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POLICY BIASES

1. It is often claimed that analysts distort what should be objective judgments to support official policy, but unambiguous evidence on this point is usually hard to come by. The case of Iran fits this pattern. Intelligence generally was consistent with US policy but this does not mean that the latter was influencing the former. If such an influence were present, the analysts were not aware of it. ☐

2. In some cases, one finds that commitment to a policy--on the part of analysts as well as policy-makers--increases as more information indicating that the policy would fail becomes available. This was not the case here. In some cases the political climate was such that analysts who warned that the policy was failing had good reason to fear that they would be punished. Again, that does not seem to be true here. ☐

3. If it were the case that the policy had a strong and direct impact on analysis, one would expect that the State Department's Bureau of Intelligence and Research, being more closely tied to US policy, would be more affected than NFAC. The former, however, in fact displayed more doubt about the Shah's ability to maintain his power than did the latter. The opposite side of this coin is that if policy were strongly influencing evaluations, one would expect news reporters, who had no stakes in the Shah's survival, to have been much more pessimistic than official accounts. But this also was not the case. ☐

4. But it is at least possible that the belief that there was no alternative to existing policy--either because the realities in Iran would not permit an alternative or because the US Government was committed to supporting the Shah and his policy of liberalization--inhibited analysts from recognizing how precarious the situation was. If one believes that issuing a warning is useless, then one is less likely to believe that a warning is needed. We cannot be sure that this influence was at work. When it operates it does so on a subconscious level.

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It is possible, however, that there was some tempering of NFAC's analysis of the negative effects of the administration's human rights policy in response to signals that intelligence had already fully covered this topic.

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5. The problem of determining whether analysis was influenced by policy is especially difficult because the analysts generally agreed with the policy. Looking over the range of beliefs held by people in and out of government it is clear that, as a generalization, those people who thought that the Shah's regime was on balance good for the citizens of Iran and thought that supporting him was in the American interest also thought that his government was quite strong. Those who thought he was evil also believed that it was bad for the United States to aid him and saw his regime as relatively vulnerable. Presumably the judgments about whether the Shah was good or bad for Iran influenced interpretations of the potency of dissent. Those journalists and academic analysts who opposed the Shah were more pessimistic about his chances of survival than were those in and out of government who had a more benign view of the regime. To a degree this was logical. Support for the Shah only made sense if one believed that he could survive. And if one believed that the Shah was generally acting in the interests of most of his countrymen then one would be likely to think that he had a lot of domestic support.

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6. Even if analysis was not directly influenced by policy, these three inter-locking beliefs supported each other and made the analysts especially slow to give full credit to information indicating that the Shah was in very serious trouble. It is probably impossible to say which of the three beliefs came first either in time or in importance. As the Shah survived over perilous years, people became more convinced both that the United States should support him and that he was helping lots of Iranians and earning their support (or else he would not have survived). And as they came to believe that he was a good ruler they

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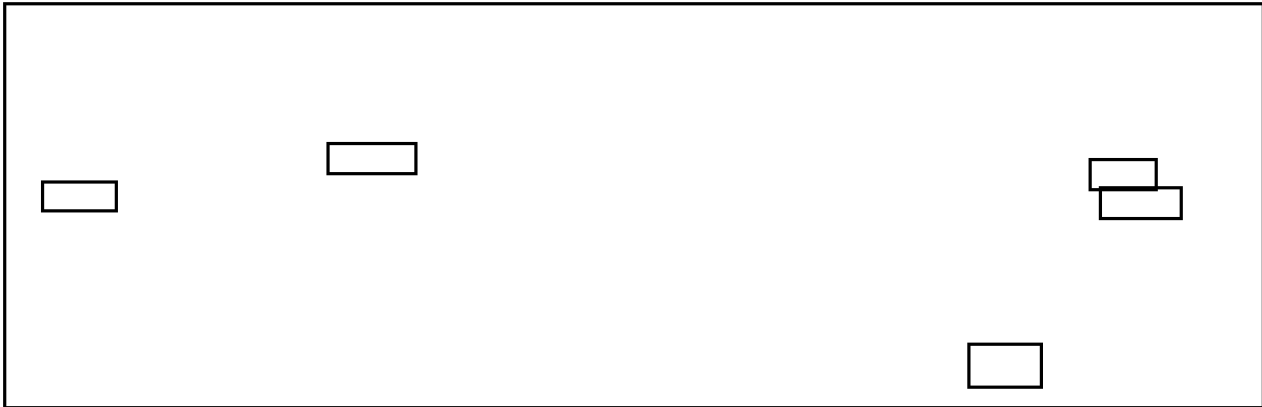
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increasingly expected him to be able to survive.* Furthermore, the fact that those outside the government who thought in the early autumn that the Shah might fall were people who opposed his rule gave the analysts an easy way to downgrade these warnings, for they could seem to be--and perhaps were--the product of wishful thinking. []

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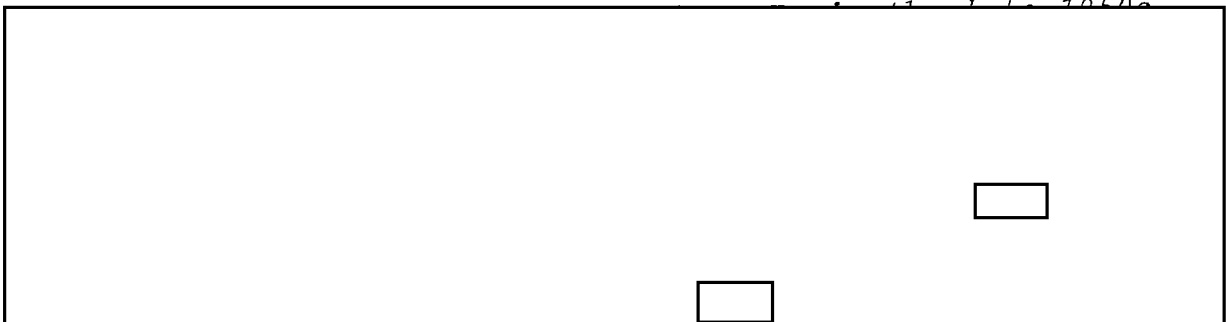
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8. The unprecedented nature of the revolution and the Shah's record of survival made it hard enough to see that past might not be a good guide to the future. To believe that the unrest would succeed was to expect the kind of sudden and dramatic change in affairs that strains our imaginations. The analytic task would have been extremely difficult if the United States had been neutral or even anti-Shah. But we cannot completely rule out the possibility that the subtle influence of US policy may have made it a bit harder for the analysts to realize that the Shah's position was becoming precarious. []

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In Conclusion

It will be clear to readers who have stayed with us this far that there is no one reason for NFAC's failure to assess the deterioration of the Shah's position during 1978. Life is never that simple. We have cited a number of reason--inadequate information, pre-existing beliefs, mind sets, a small and isolated community of Iranian analysts, and a production system that emphasizes reporting events rather than underlying causes. We conclude with a dual appeal: analysts, re-examine your assumptions and beliefs; managers, create an environment conducive to analyzing foreign affairs, not just reporting them.

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Annex B

Perception and Evidence

Robert Jervis, Perception and Misperception in
International Politics (Princeton University
Press 1976) pp. 176-181.

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Scholars often have been unsympathetic with people whom history has proven wrong, implying that only a person unreasonably wedded to his views could have warded off the correct information. But in most cases those who were right showed no more openness to new information nor willingness to modify their images than did those who were wrong. Robert Vansittart, the British Permanent Undersecretary in the Foreign Office who earned a reputation for courage and foresight by his opposition to appeasement, keenly noted all indication of German aggressiveness. But he was convinced that Hitler was aggressive when the latter had been in office only a few months¹³³ and did not open-mindedly view each Nazi action to see if the explanations provided by the appeasers accounted for the data better than did his own beliefs. Instead, like Chamberlain, he fitted each bit of ambiguous information into his own hypotheses. Similarly, Robert Coulondre, the French ambassador to Berlin in 1939 who appreciated the Nazi threat "was painfully sensitive to the threat of a Berlin-Moscow agreement. He noted with foreboding that Hitler had not attacked Russia in his *Reichstag* address of April 28. . . . So it went all spring and summer, the ambassador relaying each new evidence of an impending diplomatic revolution and adding to his admonitions his pleas for decisive counteraction."¹³⁴ His hypothesis was correct, but it is difficult to detect differences between his methods of noting and interpreting information and those used by ambassadors such as Neville Henderson who were wrong.¹³⁵

When evidence gradually accumulates that a view is wrong, those who hold the view often seem willfully stubborn as they refuse to recognize that, while their beliefs may have been tenable in the past, they are now clearly incorrect. But those who are wrong may seem more stubborn because they receive more discrepant information. Those who are right may appear more open-minded only because their initial views were correct.¹³⁶ If large amounts of discrepant information had later appeared,

¹³³ Ian Colvin, *Vansittart in Office* (London: Golancz, 1965), p. 23; Martin Gilbert and Richard Gott, *The Appeasers* (London: Weidenfield and Nicolson, 1963), p. 34.

¹³⁴ Ford and Schorske, "A Voice in the Wilderness," pp. 573-74.

¹³⁵ In an earlier article ("Hypotheses on Misperception," *World Politics* 20 [April 1968], 460-61) I applied this argument to Churchill. While it is difficult to show that he did modify his beliefs more quickly than Chamberlain, one bit of evidence does point in this direction. In the 1920s Churchill argued strongly for appeasing Germany, relaxing the economic clauses of the Treaty of Versailles, and treating her as a member in good standing of the family of nations. This is especially impressive in light of the fact that before the First World War Churchill had been quite suspicious of Germany's intentions. For the contrary argument that Churchill suffered from "an inability to envisage changed situations," see Robert Rhodes James, *Churchill: A Study in Failure* (New York: World, 1970), p. 381.

¹³⁶ Similarly, Cantril's analysis of why people believed Welles's broadcast of *War of the Worlds* is badly flawed by the failure to distinguish the person's "criti-

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they too might have assimilated it to their images. In other words, instead of a person's being wrong because he is stubborn, he may be stubborn because he is wrong.¹³⁷

For our purposes, even more significant than the proposition that those who are later shown to have been wrong are not necessarily more closed-minded than those who were right is the argument that it is difficult to specify when a person is being "too" closed-minded. There is no way to draw a neat, sharp line between that degree of holding to existing beliefs and disparaging of discrepant information that is necessary for the intelligent comprehension of the environment and that degree that leads to the maintenance of beliefs that should be rejected by all fair-minded men.¹³⁸ For example, although several authors have examined the seemingly pathological maintenance of the horse cavalry well into the twentieth century, "It is debatable which is the more extraordinary," the unwarranted faith in this weapons system, or the fact "that the lance and sword managed to hold their own as respectable weapons 450 years after the first serious use of gunpowder in war."¹³⁹ As we saw in our discussion of science, sometimes the stubborn man is vindicated.

One reason for the lack of systematic differences between those meth-

cal ability," one of the key variables identified, from a predisposition to accept, not information in general, but information of a particular type—that indicating catastrophe. Hadley Cantril, *The Invasion From Mars* (Princeton: Princeton University Press, 1947).

¹³⁷ If case studies do not reveal general differences between the way people who were right and those who were wrong handled information, experimental evidence is available but not totally relevant. Personality variables of dogmatism, persuasibility, and conformity have been located, and it has been found that people with low tolerance for ambiguity maintain images in the face of more contradictory information than do those who are not disturbed by ambiguity. (Else Frenkel-Brunswik, "Tolerance of Ambiguity as an Emotional and Perceptual Personality Variable," *Journal of Personality* 18 [1949], 108-83; Milton Rokeach, *The Open and Closed Mind*; Irving Janis et al., *Personality and Persuasibility* [New Haven: Yale University Press, 1959]; David Shaffer and Clyde Hendrick, "Dogmatism and Tolerance for Ambiguity as Determinants of Differential Reactions to Cognitive Inconsistency," *Journal of Personality and Social Psychology* 29 [1974], 601-608.) More directly relevant is the finding that "those individuals scoring high on the dogmatism scale perceived the broadcasts [from Radio Moscow] as they had expected them to be, while the low dogmatics found the broadcasts to be something different from what they expected." (Don Smith, "Radio Moscow's North American Broadcasts," *Public Opinion Quarterly* 34 [Winter 1970-71], 549-50.) But we do not know if these relationships would hold true within the highly selected group of decision-makers.

¹³⁸ That this is the case actually serves to advance knowledge by increasing the heterogeneity of beliefs within the decision-making community. Different people pursue different lines of inquiry and so an intellectual discipline as a whole hedges its bets. But when an actor must choose a policy, this logic applies with only reduced force.

¹³⁹ Bernard and Fawn Brodie, *From Crossbow to H-Bomb* (Bloomington: Indiana University Press, rev. ed., 1973), p. 42.

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ods of drawing inferences that lead to correct conclusions and those that lead to error is that the correct explanation often is not supported by the bulk of the evidence. This point is well illustrated by a scientist's discussion of the eighteenth-century debate between the preformationists, who argued that a miniature homunculus inhabited the ovum and grew after it was fertilized, and the epigenesists, who argued that the egg began as a simple and undifferentiated cell and became more complex as it developed. That the latter view is correct should not blind us to the fact that it is highly implausible and for a long time did not render the best account of the available data. "What could be more fantastic than the claim that an egg contains thousands of instructions, written on molecules that tell the cell to turn on and off the production of certain substances that regulate the speed of chemical processes? The notion of preformed parts sounds far less contrived to me. The only thing going for coded instructions is that they seem to be there."¹⁴⁰ In politics it is even more frequently the case that an incorrect belief makes most sense out of the available data. Watergate is only a recent reminder that the actual facts and correct explanations may be highly implausible. Only after access to most of the behind-the-scenes dealings has permitted the reconstruction of the flow of events and decisions are we able to understand what has happened. Even then we may lack confidence in our explanations or feel that they are not totally satisfying. So when the evidence is much less complete it is not surprising that the known facts are often best accounted for by an incorrect explanation.

For this reason those who have reached the right conclusion may be less reasonable and may be treating the information in less justifiable ways than those who are wrong. Hunches, luck, and an accurate general analysis of the other and his situation often explain why a person is able to predict correctly what others would do. Those who disagree, far from being blind to the facts, are often truer to them. A piece of black cloth in the bright sun reflects more light than a white cloth at dusk, yet we see the former as darker than the latter. Because context so heavily influences the perception of each single bit of information, a correct appreciation of the general situation often leads to doing injustice to particular facts. For example, in three cases Churchill was correct, but most reasonable men would probably have said that alternative conclusions were better supported by the evidence at hand. When the attempt to force the Dardanelles faltered because of an uncharted string of mines, Churchill wanted to push ahead. We now know that a renewed attack probably would have succeeded—but, as most officials argued at the time, most of the information indicated that it would fail. To take a larger case, it

¹⁴⁰ Stephen Gould, "On Heroes and Fools in Science," *Natural History* 83 (August-September 1974), 32.

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would be hard to argue that Churchill's view best explained the available evidence about German foreign policy in the mid- and even late 1930s. Similarly, Churchill was right to see that Hitler would launch a surprise attack against Russia in the spring of 1941, but alternative hypotheses were at least as well supported by data.

Those who are right, in politics as in science, are rarely distinguished from those who are wrong by their superior ability to judge specific bits of information. The preformationists were no less "careful and accurate in their empirical observations as the epigenesists."¹⁴¹ Rather, the expectations and predispositions of those who are right have provided a closer match to the situation than did those of those who are wrong. Thus many of the people who interpreted early bits of information about Watergate as indicating that President Nixon was implicated drew correct inferences because they had previously distrusted the man. The very fact that they were so quick to consider him guilty points to the importance of their previous views and the relatively slight role played by close observation of the immediate events. Those who took the opposite position were wrong not because of their faulty reading of the direct evidence—until near the end their reading was at least as plausible as was that of those who were correct—but because of their basic misunderstanding of the president. This line of argument is supported by findings concerning children's perceptions of their parents' political activities which, because the investigator did not hold the view set forth here, were unanticipated: "it was originally hypothesized that student reports of parents' political characteristics would be more accurate among highly politicized families. In the case of turnout, the data lend no support to the hypothesis. Among parents who voted, there are practically no variations at all in the rate of student accuracy. . . . Sizable variations do occur in reporting nonvoting, but, surprisingly, the lowest rates of accuracy are among the most politicized families! Students' strong expectations that their parents will vote, or a greater sensitivity about reporting nonvoting, apparently overshadow any perceptual gain from the highly politicized environment." The same effect appears when we look at data on students' perceptions of their parents' interest in politics. As the parents' education increases, their children judged their interest in politics to be higher: "it is more befitting less-educated parents to be uninterested in public affairs, and consequently more are reported to lack interest. When parents' own reports coincide with these expectations, students' reports are correct. When they conflict with student expectations, however, students have 'guessed' wrong." Our earlier discussion of cognitive biases and schemas is relevant here. People learn and remember relatively accurately when the schema they apply fits the arrangement of the stimuli. Thus

¹⁴¹ *Ibid.*, pp. 30-31.

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a study showing that cognitively simple people are more prone to perceive balance notes that "complexity is not always functional nor lack of complexity always dysfunctional. Noncomplex subjects made fewer errors than complex ones when their simplifying hypotheses matched the social structure" they were facing.¹⁴²

One implication of this analysis is that successful detection of military and diplomatic surprises is less likely to be explained by the skill of the intelligence service in piecing together arcane bits of information than by the degree to which the service's predispositions and expectations fit the actions that the other is planning to undertake. This also means that an actor who is trying to surprise another should find out what the other expects him to do and then do something else rather than to try to alter the other's predictions about what he will do. It is better to take advantage of the fact that people assimilate discrepant information to their pre-existing beliefs than it is to fight this pressure. Thus one of the most elaborate and sophisticated deception campaigns—the Allied effort to convince the Germans that they would land near Calais rather than at Normandy—probably would not have succeeded had Hitler not already believed that Calais would be the target.

This analysis of course raises the question of when will the person's expectations be likely to mirror the stimuli that he is presented with? Luck is one answer and perhaps applies in more cases than we like to think. This may be the best explanation, for example, of why the predispositions of many of the anti-appeasers were appropriate in the 1930s. Under most leaders Germany would have tried to regain a powerful position in Europe, but she would not have been willing to run very high risks in order to dominate and so she could have been appeased. Had Hitler not come to power, many of the Englishmen who now seem wise would have been dangerous warmongers. A second possibility is that the person's predispositions fit the environment in which he is acting. A statesman who is sensitive to threats to his state's security is likely to perceive correctly if his state is often menaced. A person who correctly gauges general trends will also be well served by his predispositions in many cases. Those observers who doubted that democracy could be maintained in the underdeveloped states often provided the best interpretation of the ambiguous evidence about politics in the third world. The

¹⁴² Richard Niemi, *How Family Members Perceive Each Other* (New Haven: Yale University Press, 1974), pp. 68-69; Press, Crockett, and Rosenkrantz, "Cognitive Complexity and the Learning of Balanced and Unbalanced Social Structures," pp. 549-50. For related arguments from other parts of the field of person perception, see the research summarized in Mark Cook, *Interpersonal Perception* (Baltimore: Penguin, 1971), pp. 108-16, and Hastorf, Schneider, and Polefka, *Person Perception*, pp. 30-34.

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creation of appropriate predispositions is the rationale for job training programs that alter perceptual thresholds, a subject we will touch on in the appendix to Chapter 6. Furthermore, people select, and are selected for, jobs in the expectations of a match between predispositions and environment, but this is no guarantee that there will be such a match. Those who are predisposed to see foreign threats, for example, may fill positions of responsibility in relatively secure as well as in relatively insecure states. A third and related cause of match comes into play when the person's previous experiences provide a good guide to the current situation. This will be treated at length in Chapter 6. An aside here is that, when self-fulfilling prophecies operate, shared predispositions make more accurate the perceptions of those who hold the dominant view.

Unless we realize that the differences between those whose perceptions have been accurate and those whose have been wrong are not likely to lie in differences in ability to examine specific facts, we will have unwarranted faith that those who were right will continue to perceive accurately under changed circumstances. We will be likely to assume quickly that superior intellectual virtues are possessed by those who perceived accurately, to promote those people to positions of greater responsibility, and to adopt their views in the future.

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